

0:02

Good morning, and welcome everybody to the first of all consumer GT sessions, which we're running during the course of this week, so a couple of housekeeping points before we kick off. Festival Introduction. Som is Donna Brandt For those of you who don't know me, I'm one of the partners in our Financial Regulation team.

0:19

And I'm joined today by Sarah Herbert who's one of our compliance directors in Finance Regulation team and web based working on consumer duty, which is why we're talking to you about that today. If we could go to the next slide, please.

0:35

As I mentioned, this is the first of a series of sessions we're running this week.

0:40

This session, this morning is an overview session, where we'll call out the main Well, festival debates concepts of the consumer titi, look at how it's changed since the proposals that were consulted on, and then start to look at how firms can start.

0:58

Implementing it and for governance and monitoring requirements of it. We've got a number of other sessions during the course of this week focused on particular products. You can see the timetable on the slide there, and there are a number if you signed up for a number of those sessions, but it isn't too late to sign up. So if you do want to attend any of those, you can see the link that and we'll be circulating the slides after the events.

1:23

If you have any questions. We are going to have a Q&A session at the end of this session, and if you can see there's a chat box on goto Webinar, so please do drop your questions in the chat. We'll pick up as many of them as we can at the end of the session. And if we don't manage to answer your question, then we will follow-up with you afterwards.

1:46

So if we move on to the next slide, please.

1:54

Such as, as we know, this is consultation while it's being consulted on now for quite a significant period of time in terms of what's come out in the final rules from the FCA. What we have is ni ni principle that we consume a GT principle. And that's remained unchanged from consultation. And you can see at the middle of that slide must act to deliver good outcomes for retail customers.

2:22

And that principle will replace Principle 6 and 7, 4, activities in Skype to consume at each end. We'll look at that in a little bit in terms of what the Skype is.

2:34

That principle, again, this is unchanged from.

2:38

what we saw in the original consultation, is supported by festival, a series of cross cutting rules that firms need to act in good faith, avoid foreseeable harm, and enable and support retail customers to their financial objectives.

2:52

So those crosscutting rules, and then the four customer outcomes, and those four outcomes represent the key elements of the firm. Consumer relationships, which are instrumental to helping to drive good outcomes for customers.

3:06

So, the first one, product and service, so, essentially, ensuring products fit for purpose, and designed and distributed to meet the aim.

3:16

The second one is price and value, that's looking at the relationship between the price, the customer pays, the value benefits, they can we expect to obtain from the product.

3:26

Consumer understanding, so, helping customers make informed decisions, and ensuring communications meet the information needs customers.

3:35

And then, finally, the fourth outcome is consumer support, so supporting customers to realize benefits, products and services Type II.

3:46

Now, importantly, it's worth calling out to this stage that all of those requirements then float down.

3:52

It's the Code of Conduct rules and Sarah's going to look at that with you towards the towards the latter half of this session.

4:00

And the April premise the overall basis on which the FCA is introducing new rules requirements is to ensure that consumers are better equipped to make effective, confident choices about products and services.

4:13

The best meet their needs and to act in the best interests. And what the FCA say? Well this is a key part of the FCA strategy and what they do say about this is that with the introduction implementation of the duty that they envisage fewer future rule changes as a result which should that our cost. So there's a

positive spin on this, because I'm sure at the moment, or if you were thinking, how much work you've got to do in relations getting through to implementation.

4:44

So, if we move on to the next slide, please, and I thought it would be helpful to look at timeline and obviously this was a really significant area of shape back industry feedback to actually in relation to the time it will take to implement the new consumer GT rules. And this is where there has been movement in relation to what we now see in the final rules and the FCA and outpacing a phased approach. So, the consumer to two rules will apply, That just ask if you're not talking. that you can use, if that's OK. The consumer duty rules will apply to new and existing products that are open to sail over Niel from the 31st of July next year. So that's giving a three month extension, from the original April 20, 23 dates. So, we've got a bit more time, they're not a huge amount of time, that a bit more time. And then, in relation to closed books, and I'll take you through what we mean by opening new existing in Place Books in a moment, that there is more of an implementation period for Facebook.

5:51

So, firms have until that's first July 2024 to apply to products and services held and closed books.

6:01

What do you see, I've made absolutely clear they in the in the final applications, is that firms do you need to make full and effective use, longer implementation period and the FC I've set out really clear expectations for the actions firms should take during this implementation period, by the end of October, 2022.

6:21

So, by the end of next month, boards or the equivalent management bauchi should have agreed implementation plans, and they say, expect that boards will maintain a site that's a delivery to ensure implementation work is sufficient to meet the duty.

6:38

And for there, to be evidence, they've scrutinized and challenged the plans to ensure that the deliverable and robust to meet the new standards within the timeframe.

6:47

And what they actually has also said is that they expect firms should expect to be asked to share the implementation plans, board papers and minutes with supervisors, and challenged on their content. So that's the first deadline to work towards, that type of 2022 deadline, and that was new.

7:07

That's a new requirement in the latest hazels.

7:11

board should also maintain a site of the firm's implementation plans to ensure they remain on track at the end of the inflammation implementation period, and ensure and assure themselves complying with their obligations to ensure that they've identified ID.

7:26

gaps, or weaknesses in compliance and the early action is being taken.

7:31

Manufactures and, importantly, and another sort of into a milestone that firms need to work towards, So if you are a manufacturer firm, you should aim to complete all reviews necessary to meet the four outcome rules for existing and open products services by the end of April, 2023, and that so that you're in a position to share can't maintain information with distributors three months ahead of the implementation deadline and so that's why that's been set earlier at April 20 to 23.

8:05

And then what the FCI is also said, is that firms should identify what changes are needed to be made to existing Apron Products and services? to ensure the TT is matched by the end of July 2023. And what the FCA had asked is that firms engage with them directly. If that considering withdrawing or restricting access to products or services due to the duty in a way that will have a significant impact on vulnerable customers on the April market supply. So, if you are thinking of product withdrawal products or service withdrawal ... compliance with the GT, you need to think about, what the needs to be notifying the FDA. Also, where firms, as part of the implementation process identify significant breaches of existing rules.

8:53

Say, for example, chasing customers fatty under principle, ***, or communications principle sudden Then those breaches should be reported to the FCA in accordance with the ...

9:05

reporting The rules and then, finally, firms should alert the FTA where they believe they might be able to complete or what necessary before the deadline. So, albeit that we've had some extension to the implementation time period and particularly in relation to closed products too.

9:26

Trends trends for there are a number of really important interim steps that firms need to adhere to to make sure that they're on track for implementation and what the FCA expects over the next period.

9:40

So, if we could go on to the next slide, please.

9:44

I thought it would be helpful. So that on your screen is probably quite small. But when you get the slide deck, which will be circulated afterwards, you'll be able to say that. I thought it would be helpful to look at the key changes that come through in the final proposals. Now, this isn't a comprehensive list of all of them, but the ones that I thought would be helpful to call out for you at this overview session, in relation to product specific sessions. The team will talk about more product specific changes that have come through. But, for now, this is a high level overview of where those material changes are. So, the first one there is vulnerable customer.

10:23

If you'll remember that the original consultation paper talked about average customers and after which customers target markets. Now, we've done, we've, we've seen the removal of thoughts. That was quite a lot of feedback and relations.

10:36

Not that reference to average customer, made the expectations unfair, and that could undermine the requirements for firms to consider the diverse needs of our customers and means that the needs of customers with characteristics of vulnerability are not match. So, well, at the rules now, too, and we'll look at this as we come on to the outcomes in particular.

10:57

The rules now asked to consider the needs of customers in vulnerable circumstances, really, across all of the rules and requirements. And, as I say, we'll look at that in more detail, when we start looking at the outcomes.

11:11

In relation to changes.

11:12

Then, to the rules, supporting the outcomes, So, outcome, one, product, service, and the need for patients to make it clear that firms are not subject to face the existing fraud rules, and the new rules, and, um, intend to, a, set the consumer duty, products and service roles. So, firms which follow April three as guidance as well.

11:37

So, for example, asset managers may make an election as to whether to follow those existing 43 rules or whether to comply with the new consumer duty.

11:49

Um, outcome, one rules.

11:52

There's more guidance on the information flows between distributors and manufacturers which I will take you stay in a bit more detail.

12:00

Importantly, a new rule that firms must notify the FCA where they become aware of if another firm in the distribution chain may not be complying with the consumer do tools.

12:11

That's fun, definitely watch out for and to think about in relation to your distribution arrangements, outcome to price and value.

12:20

We've got more detail on the trigger points for undertaking the value of assessments including on what, what, what the FC I took that as any significant adaptation of product. And, say, we'll look at that a bit more when we come to the outcomes.

12:36

And, there are also some additional considerations to be taken into account, in relation to the value assessment, say, for example, create costs and benefits and how they can be taken into account.

12:48

And also, whether any products in making the value assessment for product, whether there are any other products that have been priced significantly lower for a similar or better benefit.

13:01

An outcome fall.

13:02

So shemesh supports, there's more detail around sort of trade, friction, within sort of customer journeys, and also some additional steps to think about in the customer journey.

13:18

This significant amounts of new rules, actually coming in about with dressed and appropriate actions, and this is where the importance pulled out for you, though, there are now specific rules included on the expectations of, on firm, sweat reaches of the principles identified. So where a firm identifies that foreseeable harm has been caused customers than there are specific rules in relation to redress and remedial action that needs to be taken as a result.

13:52

So previously where firms for self identifying breaches of rules, that may have sort of flight through from a soft reporting to then remediation medial action. What we now have with 12 is specific rules dealing with expectations on redress and remedial action, when, when will breach been identified, said.

14:15

that's really important to, to, to, bear in mind.

14:20

Governance and accountability, and there's more requirements in relation to governance. That's a new, consumer, chichi champion at board level, will need to be identified and appointed. Sarah is going to talk to us about that's. A new requirements can seem a duty to be included in governance strategy, people policies, including remuneration, and it forbade for it to be embedded in the risk and audit programs. And then finally, there's a new section in the rules dealing with requirements on the sale and purchase books, a product. So that will impact on M&A activity in particular, or maybe integrate transfers of books, and essentially what the rules say, all the terms purchasing for needs to ensure compliance with the rules on the best and devin's basis.

15:13

There are also There's also some detail on the due diligence expected by purchase books and also on the other side, obligations on the sellers of books or products in relation to the vision of informations purchases. So they send you an importance if you're looking at any sort of transfer activity in relation to to reach out for that. So, if You go onto the next slide, please.

15:41

Just a bit of a recap in relation to how this applies. So, a couple of important definitions.

15:51

We've got a definition of what's a product, is that, that flows through relations, Skype, all the consumer duty, and importantly, the escape of it being distributed or to be distributed to retail customers, which has a particular definition, and is dependent on the nature, product or service that you're dealing with.

16:12

The rules apply, as we know, to existing products, and closed products.

16:17

So, existing products are those, which were created, marketed or distributed, before the rules come into force, and which is still being marketed or distributed after the implementation dates. And then closed products, products, where, their existing contracts in place for customers, which are interested to fool the rules come into force, but which are marketed or distributed to new customers after that date.

16:40

So, we have that the consumer GC base of those, but we have slightly different application the closed products in particular.

16:49

Then, we've got the definitions of manufacturer and distributor, obviously, really important to understand what role you're performing as a firm, because there were very different requirements, depending on whether you manufacture distributor, or K manufacturer, or indeed based manufacturer, and distributor. So, manufacturers who creates develops designs issues operates or underwrites product.

17:16

And then the distributor is the firm which offers, sells, recommends advises on, proposes a precise products, or otherwise makes arrangements with a few to a retail customer entering into agreement for the specified investments. And, as I say, it's really important to identify what's relevant when you're, you're performing.

17:37

As the rules apply, so definitely tension whenever your manufacturer or distributor and if you have a K manufacturer arrangement.

17:46

It's really important to have a written agreement outlines the respective roles and responsibilities and the FCA set out in quite a bit of detail in the rules including who is responsible for which aspects of the rules on the outcomes Essentially that so they know who to hold accountable for compliance with those rules. So that's really important to think about. The next slide, please.

18:11

I mentioned Skype.

18:13

So, important points to make at the outset on Skype, not a huge amount is changed here from what we saw in the original consultation. But, really important to call out its dependence on what product or service you're dealing with, the, the visit different Skype, because what the consumer duty rules is, they follow the ... largely around regulated activities, and, of course, regulates the regulation of activities.

18:43

Within financial services is dependent on the product.

18:45

So, for example, consumer credit that applies to all regulated credit related activities, so that's breaking, that's the lunging activity, it's to admin, its debt collection, debt adjusting and tech counseling.

19:01

Deposit taking, it applies to consume it.

19:04

Supplies to the B corp's definition, essentially save consumers, micro enterprises, and small charities, insurance, it follows I call, that, importantly, it doesn't apply to be insurance contracts or contracts of large risk salts commercial customers, or other contracts at large risk, whether the risk is located outside the UK.

19:25

Investments covers business conduct where the customer is not a professional client, set out and corpse, mortgages.

19:37

Follows M cop largely. But nights because I'm currently has provisions from the financial promotions or to, the extends the Application of Financial Information Rules go to just regulated mortgage contracts. Salmon regulated by its flat.

19:57

Products for example will be covered by the consumer GT rules in relation to the promotion of the because it's following the perimeter of M culp payments for the money. And that again, is consumers, microenterprise, charities and that was quite a lot of discussion at the time that the consultation was ongoing around the application too, small to medium size enterprises. How it should glide indeed, whether it should apply a tool, it absolutely does apply to SMEs to the extent that they are within those definitions and the Skype Specialized Activities as I've just set out and that, that does lead to some complexity.

20:41

In relation to how you deal with mixed books, why you might have some SMEs within Skype as a teaching, some outside and equally, where you've got SMEs, you have the protections of duty, Some products, but not others. And we'll be looking at that in more detail when we do the, the, the the Deep Dive product session on SMEs, It applies to your dealings with actual and prospective customers.

21:07

Um, so that, that's really clear.

21:09

So if, for example, your declining a customer, for a product, how you do that, may well be subject to Maci tools, and also applies to accelerate activities.

21:22

Now these unregulated activities connected with well held out for the purpose of regulated activities, or in connection with the provision of payment services or issuing money.

21:35

I think there is still a thing that remains bits of ambiguity about what is meant by acts of the reactive teas. But essentially, these are activities which are necessary for completion of a regulated activity, and what it won't cover is activities where completion of the regulated activity is not dependent on the completion of the unregulated activity. Now, it's going to be necessary, where you think you have access to the activities to assess those, as you look at implementation.

22:05

But that's just an important point to be aware of, that you may, you may be in Skype for some unregulated activities, whether January it accelerates or regulated regulated product or service. Next slide, please.

22:21

And it's important to remember, and this is, um, this remains, as we had in the consultation, that the consumer duty is underpinned by a concept of reasonableness. And that for 12, so that the principal, and to A why we find the rules must be interpreted in accordance with the standards that could reasonably be expected, prudent firm, which is carrying on the same activity in relation to the same product. And takes appropriate accounts for nice characteristics of retail customers, based on the needs characteristics of retail customers, in the relevant target market of individual customers, as context requires. So what is reasonable, depends on a number of things, just all depends on the nature of the product or service. It'll depend on the characteristics of consumers. Within the relevant target market, or if what you're dealing with, is an individual interaction with a customer, that customer, and also the firm's rolled in relation to product or service.

23:22

If you can move on to the next slide, please.

23:26

So, thinking now, about the actual outcomes itself, and this quiet does quite a bit, to say here, and, as I say, in the, in the individual products sessions, the team will look in more detail, around the exact requirements. For these, fit this outcome, for the particular products in mind, that, as a very broad overview. And some manufactures obsess outs on the slide, that primary requirement. So first of all, firms must have a product approval process for the relevant product?

24:03

Products or service or where there's a significant adaptation of the products Now what is significant in relation to the tricky thing, is that rules will depends on the potential impact on the customer.

24:15

So the example the FTA call out is where a feature might be added or removed from that would be seen as this adaptation.

24:27

What they have called out and guidance, and this is new guidance in that is that in some cases it will be unfair whether a product is new or existing. And the one, the examples I gave us a mortgage lender offering deals for a limited period only, replacing them from time to time with new deals with different interest rates where all the other terms remains same. Now what the FCA's and that example is unless this additional changes to the terms, they change expect that change to amount to a need for that so, I thought that was quite interesting.

25:02

That project appraisal procedures must specify the target market, the product, and that needs to be in a sufficiently granular level taking into account the characteristic risk profile, complexity and nature of the product.

25:16

Take account of particular, different, or additional needs, characteristics, and objectives, the customers, with characteristics of genre, Let's see, so you'll remember, I mentioned, that we've learned, we've lost this concept of the average customer, and it's now very much looking, it's taking account of the needs of customers with characteristics and rapidity.

25:40

Manufacturers need to ensure that all relevant risks to the target market are assessed, and that ensure that decide meets the needs of the target market, and does not adversely affect groups in the target market.

25:52

You won't be surprised to hear that used with characteristics.

25:55

Its unreality, um, well it manufactures then need to do is ensure. the intended to distribution. strategy is ... the target markets. And take all reasonable steps to ensure that the product is distributed to the identified target markets. It, then, requirements on testing, which Sarah is going to look at in the second half of the session, in relation to how to test the different outcomes, and then if a firm identifies that, the product isn't meeting those needs, characteristics objectives, if that customers in its target markets. And if it's a new product, it shouldn't bring that product markets. If its existing product should stop marketing, it stopped renewals and look at making changes.

26:42

So, those are the obligations on on a fatuous, if we could move to next slide please, and in relation to distributors, then, outcome one on products and services.

26:56

Product distribution distributors need to ensure that they're product distribution arrangements for each product.

27:01

Prevent mitigate retail cost, detriment, support the proper management conflicts, and ensure these characteristics and objectives of target market are taken into account.

27:12

Now, importantly, what that requires, distributors to do is to ensure that they get and ensure that the product distribution arrangements contain effective matches and procedures so that distributors are obtaining sufficient, adequate and reliable information about products.

27:30

The identified target market needs, characteristics and objectives, retail customers, and those with some characteristics from the ability.

27:39

In addition, there's obligations that were requested, so this is on, this isn't a proactive provision of information by distributors.

27:47

It's where requested by manufacturers, distributors, are required to provide information about sales information, information on regular reviews, product distribution, arrangements, and then scriptures are required to regularly review that distribution arrangement. So, what we see if we move on to the next slide.

28:07

In terms of the practical implications of this for you, So first of all, I've already mentioned this, that it's really important that you identify your role.

28:16

Really clear, whether you're a manufacturer distributor, or pay manufacturer. Distribution agreements will need to be reviewed, to ensure that they facilitate compliance with the roles. Those information flows, for example, and also what happens.

28:32

Failure to comply, or a breach, if the outcome is identified, and then also ensure that you have appropriate audit trails and governance in place.

28:43

If we could move on to the next slide, please.

28:48

I've put up there on the slides of obligations between manufacturers and distributors emulation, try some value, outcome. And, as mentioned, outcome to price and value is looking at that relationship between the amounts paid by retail customer for the product, and the benefits they can reasonably expect to get from the product. And the product provides fair value, or the amount paid for the product is reasonable relative to the benefits product, and where a product is provided as part of the package with other products.

29:20

You need to ensure that each component provides fair value, and the package as a whole provides fair value, And, then, within the rules and guidance, what we have is quite a bit more detail around what that means, space for manufacturers.

29:35

And distributors and manufacturers can consider in making the assessments a number of different things.

29:43

So, the cost they incur in the manufacturing distribution distribution the market rates and charges for comparable products: any accrete costs and benefits, particularly for existing clothes products.

29:57

And also as I mentioned at the outset, outset where there were any products priced significantly lower for similar or better benefits.

30:07

And then the manufacture must ensure that any firms distributing the product have all the necessary information to understand the value that the intent the product is intended to provide.

30:19

Then there are then separate obligations on distributors.

30:24

Distributors mustn't distribute products unless it's just depletion arrangements consistent with the value and they need to obtain enough information for the manufacturer to understand the outcome of the value of assessments, and must ensure that the distribution arrangements enable it to obtain adequate information.

30:41

So, as I say, at one, really stick with the particular application, then implementing the G two firms is actually the review of distribution arrangements to make sure that they cover an SH.

30:52

These new and additional requirements, relation to CBT and move on now to the next slides and the last two outcomes, and then I'll, I'll hand it over to Sarah, who will talk.

31:08

Come on as well.

31:10

..., I'm not sure I can deal with the excellent speak anyway, um, on the dissipation agreements, the thing I would say is that when we saw the insurers and the insurance distributor, look at the similar rules that came out of IDD.

31:28

An awful lot of discussion about I mean, it was clear who the manufacturer where they were the insurer is not a problem.

31:37

The difficulty came between whether certain distributors mccomb manufacturers, or distributors.

31:44

And I can see that we're going to get into similar types, the debate, as this rolls out to other sectors.

31:50

The amount of influence, the distributor, all broker, as we used to calling them, on the design of the product, may tip them into being a co manufacturer.

32:01

People ought to be aware of that on the call.

32:03

Really good example of that, sort of white label products, in particular, where you might have a distributor and amount of hard to actually, distributor, has close amounts of input, potentially, into the actual product itself.

32:16

Worker has to me. I try that for my session, like, OK, I'll turn it back, OK. OK, If we go, now, just the next slide, and I'll, Oh, Oh, oh, go through these two relatively quickly, to get them. Sarah, Friendship time to talk to you, about the governance and monitoring arrangements. But the last two outcomes, First one, consumer understanding.

32:39

So, this applies really important, just applies to all communications. So whether those are verbal, is online, the letters and product terms, whether that the full, whether they're cheering, or whether the after sales. So it touches right across that customer relationship.

32:57

And fundamentally, what firms need to do is ensure that communications, and likely, to be honest, stood by the customer's intention to receive communication.

33:05

And one for this is, this is highlighted in the guidance one question, all firms can ask themselves is whether they're applying the same standard to ensure that communications delivering goods consume outcomes, as they do to ensure that communications help generate sales and rapidly.

33:23

So, some examples I gave is communications advice and customers on how to switch will contain, at least as clear, as they are used to sell the product, and where firms are testing communications to determine an effective approach, To maximize sales. They should use testing capabilities of equivalent standard to test other aspects of consumer understanding.

33:47

And, there's been a lot of commentary not just in this consume at each paper, but also in previous reports by the FCA such as a smarter communications papers published p.s.k. as to the general level of literacy and numeracy skills across the population. They highlight some of that again. So, one in seven adults have a literary skill at or below those expect of a 9 to 11 year olds. And then the Financial Life Survey, they found that seventeen point seven million adults, so that's 34% of the population have poor or low levels of numeracy, unfolding financial concepts concepts. So, if a firm is developing communications for simple mass market product, then the FCA expects them to take these considerations into account. And, in addition, you have price and also must have processes in place to support those with other characteristics of vulnerability. You may be present in the target market.

34:51

There is a course at large body of existing legislative and regulatory disclosure requirements that apply to provides us of retail financial services, not least the consumer. Credit pre contracts Glacier, or almost just ... and a lot of these disclosure requirements come from EU legislation and the CIA to recognize those prescriptive and that firms do you have less flexibility with days And what they say is the highlight the post exit from the EU, this more Skype simplified those disclosures and use, as an example of that, the retained proficient with E, that's ongoing in relation to the CCA.

35:28

However, having said that, at the moment, firms need to continue to comply with all of those disclosure requirements and some things to think bounce.

35:39

They talk about layering. So that's where information is lighted upfront with cross references, or links to further detail. That can be particularly effective online. Be careful with that so that you can't be criticized for only highlighting. For example, the benefits for docked in that sort of first communication. And then layering later on a journey that the downside or cost of the products because the FCA uses a number of examples in their bad examples where firms have done that engaging.

36:12

And so, think of ways with headings, layout, bullet points, tables, graphs, Q and A And looking to make communications more engaging.

36:24

Try and keep them short and concise, and simple, and well times, and now, this is all very easy to say, I know a lot of you on the call, have been aiming to do this in relation to customer journey messaging for a number of years now, and actually, it's not straightforward.

36:41

This checks if some products, where there are some quite complex concepts that need to be explained, and we're gonna look at that in each of the product specific session. So, we'll give you some more thoughts on that as we move through.

36:56

And then, finally, my last slide before I hand it, Sarah, the consumer support. And now, this is all about ensuring this appropriate standard of support and that customers can access support services and do not cause they support services don't cause harm to customers.

37:15

What where support sepsis can cause harm a rather slow Well, they're poorly designs for customer interaction design to meet that under resourced, say, paste sale, under resourcing, leading to, for example, legacy waiting times. The FCA continue to talk about such practices that speed.

37:36

There is one of that one of the epoch bears, since you, at the very, very initial papers and look at friction being removed where possible.

37:46

There's quite a lot in the outcome for around accessibility and vulnerability and what subs are expected to do Reggie Vulnerability Guidance, which of course a number of firms will you have implemented. And actually, I think the question is, how much more to these to these new rules ads? Again, that scenario will look for that specific sessions. And then the final point I want to tonight is: ensuring appropriate oversight of customer services include any third party outsourcing arrangements. That's really important, in a way that doesn't add anything new, you could cite. The obligations are on ..., the adjacent firms will want to be looking at those. They're outsourcing arrangements to make sure that they're satisfied, particularly on the customer support, consumers poor outcome, that the consumer duty requirements can be met.

38:40

So that's, that's an overview of where we are. I'm going to hand over to Sarah now, He's going to look until you see the governance monitoring requirements, and then I look forward, Well, we'll do the Q and A at the end. But I do look forward to seeing you at the product specific sessions. So Sarah FTE now.

39:03

Just couldn't get my webcam to check out and, again, managed it.

39:07

We've got to fly with. We've put in that ...

39:12

already talked over at the beginning, talked about at the beginning, which if the redress, that the new rules and consumer duty, actually, supercharge the requirement facilities are there for you to have a radar.

39:26

And the next one, if you just skip on, these e-mail, is in regard to the asylum purchase books.

39:33

So they've, they've taken feedback from the industry regard, saying, well, hold on a moment.

39:38

You know, we do actually purchase books. Where are we with consumer DC requirements of stuff that we've already?

39:46

We purchased, they've given some examples. And they've given some understanding of what people need to do. And they've also give them some guidance on what due diligence they expect you to do if you are about to purchase a book.

39:59

Well, just leave, those are some couple of slides for you to read afterwards in the interest of time.

40:05

If we can go on to the governance section. Thank you.

40:09

Next slide.

40:13

OK, um, so they have actually, not just in the consumer duty papers, but in that speeches and in everything they say about consumers and financial services firms, they stress always the the importance of culture.

40:33

Purpose, leadership, they are looking for FS firms to be led by people understand where the FCA is coming from. Specifically in respect to retail customers.

40:45

The firm should have a purpose that is consistent with the fair treatment and with principle 12.

40:52

So the Fed should be acting to deliver good outcomes.

40:56

It's reflected in the strategies, governance, and the leadership, including incentives at all levels.

41:02

So what they're expecting is for all this to be baked into the relevant Board level policies that actually reflect the consumer duty. So you can expect, as part of this program of work that you've got to do, Everybody's focused on the outcomes and the customer.

41:18

But there is a re papering exercise for some of you within your, your governance, and your terms of reference, and your policies, and your risk frameworks, to ensure the consumer duty is actually baked in, and you've got all of it in place.

41:35

You must ensure that your staff incentives, performance management frameworks and remuneration structures are designed in a way that is consistent with ensuring good outcomes.

41:44

A little further on, I will start talking about the changes they've made to ... onto Kho Kho, Kho comfort separately.

41:51

And those of you on the line who are coming from the payments, firms, and the money firms, are going, oh, good, Doesn't apply to talk about that when they get to it. It will apply to you, it's just a question of them getting that.

42:03

So what they're saying is, you've got to make sure that you've embedded ... throughout all of these, I was talking to apply the other day.

42:11

one of the things I was saying was, you know, you will have principle 12 underpinning all of your staff and all of your staff need to do.

42:19

And if you have balanced scorecards for remuneration for staff, incentive, valuable bonuses, things like that, what you can't be doing is ignoring any cocom breaches in respect of consumer duty and allowing staff to still get bonus. Because they've done a good job in other, in other aspects of what they do, But not in terms of their fair treatment of customers.

42:45

So, anybody who doesn't have, you need to introduce some sort of metric measures, whether staff actually treating customers in the way that is expected under principle 12.

42:57

They've also added in, this is one of the changes they made minor changes that they made in the final rules.

43:04

They, they, they, they labeled print to act as the governance section.

43:10

They included that customer outcomes should be a central focus of the risk of internal auditing, I think this is quite interesting for those of you that have gulps dedicated supervision meetings.

43:22

So, that means up, and I know that for the larger firms, you already share your internal audit results with the regulator with your supervisor.

43:31

They said in the paper that they're not introducing any consumer duty specific reporting.

43:36

They're going to rely on false outcomes. They're going to rely on thematic reviews. I'm not gonna lie on supervision.

43:43

I think by adding this in 200812, they are saying, for the larger firms, you will be sharing your internal audit outcomes regarding consumer duty with us anyway.

43:56

And therefore, we can get early warning as to whether you've got any implementation.

44:02

I mean, you're presumably going to have your internal audit teams looking at the implementation plans anyway, therefore, they will get early warning as to whether you are failing to deliver against your implementation plans.

44:13

Post July 23, they'll get an idea of how embedded those changes that you deliver though.

44:22

The first board report on consumer duty is expected in July 24.

44:26

Let's print 2 8, 3, and that requires the board too.

44:32

Have a consolidated view of all the monitoring.

44:35

This has taken place over the 23 to 24 year to actually consider whether there's anything new that needs to be done to consider what actions it wants to add to its strategic agenda in order to fully embed consumer DVT.

44:52

Um, next slide please.

44:58

So when we look at governance and accountability, that was an interesting sentence in the last sentence of the policy state of the consultation paper, sorry which said that or SMS would it be responsible to consume the DG irrespective of their individual Statement of Responsibility?

45:17

That puts a collective responsibility to the consumer duty across the senior manager population.

45:23

I think it's quite interesting but they then decided literally in the policy statement to introduce this concept of a champion at a boarder equivalent governing body level.

45:34

They've actually sat in that, both, that is just a quote from the paper, who, along with the chair and the CEO, ensures that the duty is being discussed regularly and raised in all relevant discussions.

45:46

Now, they've actually said in the final guidance, that that should be an ... possible.

45:52

Now, I understand the full solar regulation, you're not required to have an eye that you might have an eye net.

45:58

You don't have to have one under the regulatory framework.

46:02

The fact that they said it's Lynette is quite interesting, because obviously leds are not included in SMC, off, and the ... that's definitely, other than the senior ... for a Bank.

46:14

And, therefore, you've got some people here who are separate and capable of challenging the executive, in terms of the embedding of consumer duty.

46:24

And they said they would like there to be a champion at board level.

46:28

And I know that a lot of my clients thinking about how they're going to do that, who's actually going to do that.

46:34

Um, the events at the board or equivalent governing body is responsible for ensuring the duties properly embedded and they will hold senior managers accountable for this through the senior management certification regime.

46:47

So, here's another strategy, task you've got to do. You gotta take the statements, the responsibility. You've got to reflect the state with the responsibility.

46:56

Which parts of consumer duty people are responsible for, as well as reflecting the collective responsibility for all of it, and putting that in place.

47:06

Um, they expect the board or equivalent governing body to issue of the interpreter in relevant contexts, such as considering the impact on governance, remuneration policies and delivering good outcomes.

47:19

That's a key lands for risk and into enrolled and functions that they are expecting you to look at.

47:24

Then, the third, board or equivalent governing body should review and approval assessment of whether the firm is delivering good outcomes at least annually.

47:33

So that's the annual board report, but note, the company at least annually.

47:38

I know some of my clients are beginning to think about quarterly reports culminating in a final, over citing report that goes to the Board on an annual basis, but that is something that people need to think about.

47:53

And, in terms of rhythm as comments at the beginning, using the timescale between 23 and 24 wisely.

48:00

And I think that getting some early board reports up and running so that you give yourself time to do dry runs and things like that, before you have to hit up July 24th, is the very sense of thing to think about.

48:16

OK, if we move on, so, um, that's not my next slide.

48:30

Have we got a slide on testing communications?

48:36

No.

48:39

OK, I do.

48:42

OK, don't worry, I can, I can talk over it without the slide. I apologize, We will get this slide through to you.

48:49

Roseanne, or asked me to look a little bit at the work that the FDA has pulled out on testing communications.

48:57

So, the four outcomes, they said that they've got to be monitored.

49:01

So, monitoring obviously, is reactive and looking up, the mind, the data you've got in front view, the customer communications, specifically. They've said that, you've actually got to look at supporting the understanding.

49:14

And for those they've given, I would refer you to tune the finalized items.

49:19

They've given some examples of statistical ways in which you can demonstrate that you've tested understanding with customers.

49:28

The examples they gave, they give for different examples of ways of testing.

49:33

And the four different examples, basically run through, statistically, more significant ways of doing it.

49:40

But with added complexity, say you start from an experimentation where you use control groups, and you use randomized customer populations, and you need to know a lot of statistical information in order to be able to do that. And you need large groups of participants.

49:58

That is the most robust way of testing, but it's also the most difficult. But they've actually laid it out of the way of doing it.

50:06

Another way of doing it is customer surveys, the customer surveys, but, actually, it depends on on response, and things like that.

50:14

But, it also, you need to make sure that a sampling methodology is neutral, and you need expertise, in terms of designing the survey, to make sure that you're not leading.

50:26

Customer interviews are a very good way of getting in depth customer understanding, and they can be structured or unstructured, but they, you need to understand the difference between structured and unstructured questions, and your ability to analyze those unstructured responses.

50:45

And, lastly, the one that everybody likes using, his focus groups, because it gives you a breadth of understanding of your customer base.

50:53

It's convenient. It's convenient.

50:55

What it requires is the people running those focus groups to have expertise in interview techniques and in managing the dynamics of groups.

51:05

So when you've got somebody leading a group, only eating the leading the feedback, you may have to neutralize some of that in in what you got.

51:14

What I would say is whichever of those methods you use to test your communications and they've given you that they've given you examples of how to do it.

51:23

The app, the testing method needs to be robust, agreed on signed off.

51:28

The output needs to be recorded and the Clinton collusion needs to be actioned. So, there is some good stuff in there, but, in doing it, you need to really think about what you're doing and how you're going to do it.

51:40

And the weight that you put behind it.

51:43

Obviously, the reason they've given those four examples, is because the first one, the most difficult one to do, gives you the most weight in terms of the discussions you then, Possibly with the regulator, rather, the result of saying, we have tested our customer community tensioned, Got me doing it slowly.

52:02

We will include that flies in the final deck.

52:06

Next slide, please.

52:10

OK, so, um, monitoring of the concerns, beyond testing, this is actually looking at, you're up and running, your business is running.

52:19

and you are now being required to monitor, and Reg the regularly, not regulatory, or, I'll, I'll spell check is used to writing good regulatory, it's obviously gone for regulatory rather than regular.

52:32

You've got to regularly review the outcomes.

52:35

You've got to identify our customers.

52:37

and look at in Quebec and understand why, have processes in place to change, and prevent the poor outcomes, and stop them from occurring.

52:46

You should have robust and documented procedures to enable you to identify and manage consumer titi risks.

52:53

Understand root cause analysis.

52:56

Adapt when necessary.

52:58

I'm able to demonstrate through evidence for all of this to the regulator. Now, obviously, the rules don't cite that, They just say, you need to record.

53:07

And they cross reference to the recordkeeping requirements and sets.

53:13

So, they're actually spelling out to you that, you know, if you, if you don't keep evidence of this stuff, they look cool apps, the fact that under ... for, you should have recordkeeping. So it's that kind of thing, but they're pulling on different parts of the book.

53:30

They recognize the terms and have different capabilities. Based on the developed the data strategies and the management information that you've got.

53:38

They recognize that, you know, there's a rent of firms, from the very sophisticated. through to the very small, therefore, people will have different capabilities.

53:48

However, what they said is, they expect the same level of rigor or consumer ... as you exact on other things that are important to you. For example, the example, they give, your sales data call it performance data, and your profitability data.

54:06

It's no good thing to them. We didn't develop something very good for ..., because we're actually quite small woman, quite. Quite fleet of foot, and that's not something we do.

54:16

If you're sitting there on a vast array of sales, data, profitability, data, and individual performance data so that you know that the alert to that that kind of discussion or that kind of challenge.

54:31

Some data is ever present. Mean complaints data will always be that.

54:35

They recognize that you know reviews of the overall customer journey Identification of good and bad friction in sludge practices are more likely to be periodic or even ad hoc. You may think they may be periodic, driven by your second and third line. You say, once every three years, we will look at the trends.

54:54

Or it may be at home, a request from the board, based on feedback. They've got to specifically look at something that they're accepting of that.

55:02

They don't expect everything to have full, full data around.

55:10

You should record and be able to evidence your monitoring.

55:14

What I'd say is the former head to ... is, you should also record and evidence when you're not doing monitoring. That sounds a bit silly, but that is part of it. So, you know, you start the year with your compliance monitoring and your audit plan. So, nicely in, place, nor nicely aligned, something happens.

55:33

What you should do, is record that as a result, and whatever it is that has happened, that ad hoc monitoring exercise, the board asked you to do in Q three, you're not going to do. That should go back to the board as a board decision, if they've now said, actually complaints is looking back, and you gotta look at the complaints processes, and not bother the customer journey this year.

55:56

You need to ensure that those kinds of decisions are fully documented, kind of, but the relevant governing body Degreed, because, it's no good in 2 or 3 of time, where lots of certain things have come up.

56:10

And you then turn around and realized something that the board did ask for in 23 or 24.

56:16

You're now in 26 and it still hasn't been looked at.

56:19

They may be valid reasons why something hasn't been looked up but they need to be documented.

56:25

That's Rosanna said earlier are outsourcing firm. The FCA remains in the funnel's guidance of both, The responsible consumer comes first as an authorized for him.

56:38

The second part of the glue fence the outsourcer, So, they would expect, for example, that within your outsource distribution, your absence agreements, then the metrics for consumer duty are agreed.

56:51

The metrics or consumer duty form part of the MIT that you now receive from your third party outsourcer.

56:57

So that's another area where you've got to do a bit of remedial papering and admin to get things onto onto a level playing field. So that you can actually start monitoring it going forward.

57:12

OK, next slide, please.

57:18

Now, I'll be honest here. I've said this to a couple of clients. I've done nothing clever here.

57:23

All I've done is in the back of the finalized guidance of the relevant chapters products and services to play a valid customer understanding the customer support.

57:32

The FCA have listed quite healthfully the AMIA that they expect you to have in place.

57:39

There's a big lift and being a compliance person, Beloved taking a big list.

57:43

So, what I've done is I've pulled them out so you've got them on what in one place and on one slide you will see there's a consistent theme in here. Mean, no complaints handling the Cinderella, third of every FS suddenly comes into its own, and it gets mentioned that, I think, in every single column.

58:01

But what I would say is that, yes, you've got complaints data. Yes, you've been looking at complaints since back in 2001.

58:08

But what this is now asking you to do is to segment your complaints data by outcome.

58:16

But you now need to start asking the question, is that a complaint about the product and service?

58:22

Is a complaint about fair value if a complaint about customer understanding, or is a complaint about support?

58:28

Because it's not a question of just having a lot of complaints and Molly on root cause analysis, They've got to be drilled against these consumer duty outcomes in order that it's meaningful, so that you can understand that of your 100 complaints.

58:43

I'm making this up, obviously, 80 of them are about fair value, which gives you a much, much better peek to understand where your problems are. Or 80 of them are about customer support.

58:55

There's no, no, you've done at the front end about the product, the fair value, or their understanding. It's just that you're not delivering the correct support at the right point in time for the customer.

59:06

But those, I'm going to leave that, because I think they're quite interesting. The other thing that is interesting about this clearly.

59:12

now if it is very exercised about, and we will talk about it in the product areas, you can see how much just by length, how much more there is on fair value than there is on the other, on the other three.

59:28

And that may be, because they've done an awful lot of work on fair value in, in the insurance space, Um, and they, um, they just feel more comfortable pushing out, lots of, data on fair value. It's also a reflection that, I think people internally are.

59:47

oh, worrying about what they're going to do about fair value, but that's just to give you a overview of the types of things that are expecting you to do.

59:59

Then, next slide, please.

1:00:04

On this next slide, we've actually, we've kind of ignored the slide, I've said before.

1:00:10

Let's take it as a given. That all that stuff that's on slide 22, you've all got in place, you're doing all that stuff.

1:00:16

What is it you need to do more than that to measure consumed?

1:00:22

The sorts of things we've added into this slide are outcome reviews.

1:00:26

So, that is first, second, and third line monitoring of your consumer duty, your consumer duty, embedding outcomes for customers with characteristic vulnerability and protected characteristics.

1:00:37

So, are you drilling that data down into those target customers and ensuring that your, your mass market product, although it's working perfectly well, is it working well for these particular customer type?

1:00:52

What have you got on compliance reports?

1:00:54

What have you got from your feeding back, or what have you gotten, your distributors feeding back?

1:01:00

So, you've got, you've got two types are very important, Stakeholder, your own staff, and your own distributors. We should be able to give you some information on some of this stuff.

1:01:13

And you've got to review, your policies and processes are effective. In order to do that, you need to understand what controls you've gotten your policies, and what you're picking up off the back of your policies.

1:01:25

Those are the things we found that I hope we've also added into your training and competence records, which the C, I haven't, you know, they just seem to people who don't automatically do that.

1:01:35

You'll need to provide evidence of the monitoring and the assessment of these outcomes on request to the regulator.

1:01:42

There's a massive data monitoring exercise, customized for consumer DVT.

1:01:49

Next slide, please.

1:01:53

OK, how am identified and proactive redress, Applique remediation.

1:01:58

So this is the bit the result I talked about earlier.

1:02:02

We're all used to where, you go some customer complaints and yonder time, Take a root cause analysis.

1:02:09

You have disprove. They should you discovered for systemic failure, you've then got to do something about it.

1:02:15

What they've actually included into a 2 5, which are the crosscutting rules system, cost cutting, move, really bite in this session.

1:02:24

In the cross cutting rules, they basically said, as firms, you're going to be significantly monitoring your consumer due to New York consumed AT outcomes. As a result of that, you may discover that retail customers have suffered foreseeable harm.

1:02:40

OK, OK, so there's got to be harm.

1:02:43

They've got to be foreseeable harm.

1:02:45

So, those are some questions that, you know, are going to be problematic as they come up.

1:02:50

And, they will, they will, incur, quite a lot of debate internally.

1:02:54

If you discover that retail customers have suffered or sibal harm, as the result of acts or omissions by the firm, you must act in good faith and take appropriate action to rectify the situation including providing redress. Where appropriate.

1:03:09

So this is saying, you then start going down your complaints process, even though you've not actually had any complaints self identified, foreseeable consumer harm, but they have been put a rule, and that requires you to do something about it.

1:03:26

And then you've got to go down the bit in the middle of the purple button in the middle is your standard redress processing, standard complaints, process, cetera.

1:03:34

And then you've also got a principle 11 notification that's got to go in.

1:03:38

So as a result, all the monitoring of C, D, and D, the depth of information you're not going to have about your interactions with your customer. You've got this additional piece whereby you there's now an additional burden you've got to think about when this stuff actually starts surfacing. What are you going to do about it?

1:04:00

We just thought that was important to bring out.

1:04:04

Next slide, please.

1:04:07

Next, target voting on it anyway, five, senior managers and regulator expectations. I think that the FTA been quite quite clever here.

1:04:18

Oh, they've um, these are all the quotes from the finalized guidance not from the roof solidifying the length guidance as that Senior Manager should be clear about what the responsible accountable for how they share in the business and firm complies with the request the duty on an ongoing basis.

1:04:34

So, to my earlier point, that means and redraft or their statements of responsibility sort of thing, but but they should be doing They should expect to be asked about the role they play. So this is sigma three interaction. They will be asked about this.

1:04:48

They will be asked about delivering good customer outcomes when they're seeking approval or engaging with us and you will see that on the FCA content it's called some some debate.

1:04:59

On the phase authorization page they've made a change to their authorization page.

1:05:04

They basically said annual authorization or variations with permission from the date that the duty was published which was Wednesday, July.

1:05:13

Anybody that goes forward with a variation or a new or new authorization will it will be assumed that obviously takes the SES X 6 to 12 months to agree anyway.

1:05:25

So, that is well within the window of the 23rd of, of July 23, next year.

1:05:31

They're full, any, and if any interactions you have with the regulator, they will be asking about where you are in your status, the readiness for consumer duty on a variation of permission, that we've actually engaged with them and asked, Do they mean just for the very ancient say, You're adding debt admin or something, because because you need it, all they just saying, if the admin variation in the new permission to which we've had the answer, no. They will be using it to ask about your state of readiness for everything that you're doing as a firm, because the variation is a variation to your regulatory business.

1:06:11

So just be aware that if you're suddenly popping in variations, you could get a load of consumer duty questions, Code of conduct number six.

1:06:20

They've actually clarified that the scope of the person's job in the seniority will affect the scope of their obligations under the rule.

1:06:30

The most senior person is more relevant.

1:06:32

The role is to the duty, the more they expect from them and in delivering good afternoon customers both on the expectations of your senior manager, which is, which is quite significant.

1:06:44

If we now look to how they've actually squeezed the thing, the next slide, please hang on.

1:06:51

So they've actually added in a rule six ... to deliver good outcomes for retail customer.

1:06:58

That's gone in.

1:07:00

Individual conduct rule six reflects the new highest standard of duty.

1:07:05

They followed that up with, we skipped over the cross cutting rules The beginning Now, the clever thing they've done is, they've taken the cross cutting rules and then replicated them in.

1:07:15

Cocom: Though you've got, You must act in good faith towards retail customers, you must avoid foreseeable harm.

1:07:21

You must enable support retail customers to pursue the financial objectives.

1:07:25

So those crosscutting rules are in the cross cutting Luther imprint, but they've been replicated in cocom as well.

1:07:33

Those of you that are payment service regulated firms are going, Oh, good ... doesn't apply to us. The FCA have been making noises about the extension of the senior managers and certification regime to the Payment Service firms.

1:07:47

It's not there yet.

1:07:47

Let's be honest, however, I think that the fact that they, the way in which they've chosen to rave cocom requirements into can see in the DPT, will mean that they'll want a level playing field across all FCA terms.

1:08:02

So, I think this has enhanced the likelihood that they're going to quickly follow up and put in senior managers or certification regime for the payments firms.

1:08:14

What this does do for them, obviously, we're all we always look at, you know, where they add new things to the, to the, to the handbook.

1:08:22

We don't necessarily contextualize it with the tragedy in there that has a knock on effect somewhere else.

1:08:28

So, for example, cocom breaches in stop 15 cocom breaches for SMS records are within seven days.

1:08:39

So these now become Coke. If there are any breaches of these new Coke on rules, they become SMS reportable within seven days on the top 15.

1:08:49

Under the sub 16, they become part of the annual reporting requirement for all Coke.

1:08:54

.... That's all of your stuff other than ancillary.

1:08:58

So, they've now got, So, in the same way, as I mentioned earlier, they've got this ability to reach into internal audit reports.

1:09:07

This automatically gives them a reach into the conduct reports for the firm.

1:09:12

So with them saying, We haven't introduced any specific reporting rules for consumer duty, the way in which they've chosen to be thin means in some aspects, they didn't need to, because they're automatically getting it. Didn't.

1:09:26

Because it's already there for cocom, cocom breaches are already subject to reporting requirements Therefore, putting new rules into ...

1:09:35

will give them a level of visibility and some reporting, which, um?

1:09:41

Is that something you would necessarily think when you see these rules? Just going in?

1:09:47

That's the end of my session on Asensio Senior managers.

1:09:52

Do we want to go to questions now? Arizona?

1:09:55

Yeah, thanks, Sarah. Say, and now I've got, we've got a couple of questions.

1:10:00

So Alan, Think between, Sarah and I will double have them say a question that's come in.

1:10:07

Do you think the ongoing sale, forward, flow sales of debt would be in Skype at the new rules for purchasing? So I think that's the type of arrangement where a buyer and a seller agreed to sell, sort of charges of doubt on an ongoing basis.

1:10:28

We see that the number of contacts we said, sometimes we charged off that, but also, we see other types of funding flower arrangements. So, there's different ways in which that can be structured. And my view on that one is, yes, to the extent what you're doing is transferring the legal and regulatory responsibility for a customer relationship. Whether it's ... thoughts, I will arrange them into a single transaction.

1:10:58

You think that is in Skype, of the rules on the sale and purchase of books, and in relation to those rules.

1:11:06

They do apply slightly differently depending on what the book was purchased before Touch Fest, July 2023 or afterwards, but, um, and so it's worth having a look at the rules and the rules with Paragraph to a point Latin.

1:11:24

That is what that will require. It comes to look at Watson, Skype, and then also in particular on an ongoing basis.

1:11:30

Books being sold for the first time after July 2023, making sure that This stage I mentioned when I talked about it, too, to use to look at both the purchaser in relation to two diligence. That's required an information seller to allow them to conduct thoughts, but also cellular obligations emulations version of that information. So I mean, the simple answer to that question is yes.

1:11:59

Do you think they will escape the fact that it's on a full-time basis? I don't think changes changes that conceptually, and so that's that one. I think I might direct this question to Sarah, so, would price comparison websites be considered as distributors?

1:12:20

Authorized implant, surprise because asking website will be considered to be a distributor.

1:12:25

I think the only difference, anything I would say is that, um, some of it will depend on what they're actually doing.

1:12:36

It's not as simple as, yes, blanket you, you will all be considered to be distributed.

1:12:40

But, I mean, I would say I'm sort of 95% certain that you will be considered to be distributors.

1:12:51

And another question that's come in as to how do we expect the FCA to supervise this? So, I think I'll give my thoughts and then, Sarah, I'm sure you'll have some thoughts on this one, too.

1:13:04

So, I think we'd all recognize that supervision, consumer duty is absolutely critical to its success and the FCA themselves have recognized that.

1:13:15

And what they have said is that kinda wanted to take post implementation review to understand how firms have implemented the duty and whether it's having its intended consequences and one, whether there are any unintended consequences. So, I think, well, they're particularly interested in that. Is sort of, you know, at that point I made about product with tools. Have actually.

1:13:34

We're seeing any sort of restriction on innovation or particular products or firms leaving the market, that thought that's the type of unintended consequences there'll be looking at, and I mean, in terms of how they're going to supervise and enforce it, What they say is that going to embed it into supervision enforcement processes.

1:13:56

And that kind of increasingly folks on the outcomes and the consumer experience.

1:14:03

And what we know as well of course, is that that really focused on on developing more of a data latch approach, to be able to more quickly identify practices that negatively impact customers.

1:14:17

So do you think, we'll see, we'll see this coming up much more from a supervisory perspective, that they'll be getting a lot of data as well around this. And when we look at what they're saying about the data led approach, where they see consumer harms.

1:14:35

You know, that, that they've been very, very clear, that had some taste, to take action by, the sickness, can see him attachment.

1:14:42

So, I don't know, Sarah, if you've got any, Yeah, Any other thing that you have, any? other thing I would say?

1:14:48

Is that the, you know, the, the final rules, and sort of a surprise of the October deadline.

1:14:56

I mean, they have say, I did not.

1:14:57

But, you know, the sort of larger firms will be asked to share their BU the implementation plan pretty quickly, you know, November time, and therefore, people are focused on that.

1:15:09

My smaller clients who've gone about, you know, the revenue bringing us up, and asking us for our implementation plan, will they have?

1:15:14

probably, not, in November, but the problem you've got, so, what ... just said, they are going to do post implementation review to see how this has worked.

1:15:23

You can expect, as part of the information request to any sector, as part of their post implementation review, They may say, could we have the following, please? Your implementation plan from October 22, your update to the boards throughout the implementation period, your board report in 23 and 24, et cetera.

1:15:42

There's, no, it's no good at the end of 24 saying, oh, because we thought we wouldn't be off for the plan in 20 22.

1:15:51

We didn't make it until January 2023, because they will then say, but the rules were clear. You have to have a Board agreed implementation plan in October 2022.

1:16:03

To some clients, we've been talking about doing a plan for a plan.

1:16:06

If they really feel like how it got a plan up and ready, by, by the end of october or the more practical thing, we don't have a board meeting in October or September and December.

1:16:17

Well, it's fine, but you need to have a Tiffany board sometime in October to nod through the implementation plan You're going to agree.

1:16:29

Thanks.

1:16:31

Yeah, OK, good question here. There's some There's so much to do. How do we prioritize it?

1:16:38

Yeah, there's no magic to what I'm about to say, but really those areas that are going to have the biggest impact on consumer outcomes are going to be those areas really why you should focus and start.

1:16:50

So if you've got risky or complex products, um, you need to start that Or your major significance, customer, communications, you know, from the customer, from the consumer communications perspective, start there and within the individual products sessions. We are going to be talking much more specific details put out by Porter at what those sorts of most significant customer communications are likely to be. I mean, the FCA have made it clear that they do expect firms to be compliant.

1:17:25

And in that context, they have, of course, given the extended implementation time period, but in terms of how to start prioritizing, to think about that risk based approach and prioritize implementation work. That's likely to have the biggest impact on customer outcomes. That they, Sarah, if you've got any other thoughts on that?

1:17:48

Um, I think the only other thing that I could sensibly add would be to look at profitability.

1:17:57

Just start with your most profitable risky products if they are risky.

1:18:03

I mean, it has to be risk based and if you've gone very, sort of consumer friendly, profitable products, and perhaps they'd be OK, but the regulator will be looking at, they fund it consistently if you want to know where your biggest consumer risks are, where your biggest profits.

1:18:24

That's quite a good segue Onto a question that's just come in, which is a sepsis where there was no charge to the customer and there's an example given such as Banks Switching service in Skype. And a simple answer to that is, Yes, they are.

1:18:39

And, actually, I can't remember now if it's in the, if it's in the finalized guidance or in two-way itself to the FCA all quite, quite clear, I'm not points.

1:18:51

So, yes, that would be, that would be in Skype and another question, we've got about outsource arrangement.

1:18:57

So, where the firm uses an outsourcer and they use sub site and then the outsourcer uses a subcontractor, should we be looking at how they, being the subcontractor, A, managing and monitoring consumer duty.

1:19:14

I think the simple answer to this is looking at the end game which is making sure that those outcomes have a match and the consumer GT is being met. And it almost, in a way, sort of similar to today, how success applies in relation to eight sites.

1:19:31

And looking at how your outsource arrangement serving that delivery.

1:19:36

If they said, whether it's through the outsource platform itself, all the subcontractor missing legal and regulatory requirements. Now, what that might mean, and as Sarah said, and I said earlier on, should we would expect to need to look at the outsource arrangements to ensure that they've got appropriate oversight an MI increasing where there's a subcontractor. I don't think the fact that subcontractors and today removes which uses those obligations.

1:20:07

So I think the simple answer is yes to the extent subcontractor has a role in, in relation to distribute those outcomes, which is most likely to be on the consumer support outcome.

1:20:25

Sarah, did you do you have any other thoughts on that one?

1:20:28

The The outflow Thing arrangement should actually ensure that the the the Original Firm House fell see through from just, not just to the app source libertarianism for that sort of thing as well.

1:20:46

No, we'll just be able to deliver their regulatory requirements.

1:20:50

You know, if the question is around, um, not having that visibility and the visibility has to be there anyway, and then you overlay consumer safety.

1:21:05

And another question: given that nets are not currently SMS, why has the FCA suggest they should be the consumer duty champion at Board level?

1:21:16

I think that's ... I think I think the reason they've gone for the, for the Ned or ...

1:21:24

being the consumer duty champion is the, it's more to sort of corporate governance, it's more to the independent role of a non executive director.

1:21:35

And it's the fact that they can challenge the executive, and I'm not part of the executive.

1:21:41

So therefore, it's a completely separate challenge process, and that's why they've gone down that route.

1:21:47

And this is sort of follow on question alongside that, as to how many consumers use champions. Do you think that should be?

1:21:54

Well, there are two places where they mentioned Consumer Duty Champion, so they mentioned that consume TT champion at board level, and whether that's. net or annoying Agile. Somebody with sufficient separation.

1:22:06

They then talk about, in the customer understanding whether a, our firm would want to train certain people to be consumer duty communication champions.

1:22:20

Not the only place they mention it, and it's specifically around the communication outcome.

1:22:26

So, it's a question of, it's the thing that the way people have tackled vulnerable customers.

1:22:32

You know, a lot of firms have got Areas are areas of excellence for dealing with vulnerable customers.

1:22:39

This would probably be somebody, You have additional training in order that they can accurately look at communications on site when they believe to be consumed, due to compliant.

1:22:54

Just gonna add an extra, an extra lens?

1:22:57

Um, hmm.

1:22:59

OK, another one I think for you. So what level of detail do you think is expected in the implementation plan?

1:23:06

There is the potential for change to be driven through the product reviews.

1:23:10

That will not be completed before October 2022, so I think it's really, at this stage, for the purposes of October Boards, Implementation Plan, How much detail do we think firms should be, including?

1:23:26

I think they've got to have enough detail to cover the bases of the regulatory requirements. So, they've got to be explained into the board. These are the requirements. These are the things. I mean, it may well be in certain aspects.

1:23:40

No, we intend doing a full review of on sale products, and that will be done by Christmas, and then we will be telling you what the implementation for both at Christmas and April, because that's got to be done in that time scaling order. The distributors can get to it between April and July. If you take another example.

1:24:02

You know close portfolios, the reason they've given not extra year is clearly because there's a lot more work to be done, to look at some of those portfolios, To subjects and overtime portfolios to value assessment.

1:24:17

And I am actually expecting some of the outcome of that to be cessation of products or migration of products.

1:24:26

You know that that seems to be where. That's why you need that length of time to do it.

1:24:31

But you've got to at least have A comprehensive set or scope.

1:24:37

But I think that the actual deliverables can be different by different outcomes, can be, can be scheduled differently.

1:24:46

You've got to give the Board some confidence that you're going to be there by July 23 across all of it.

1:24:53

Yep. OK, one question that I don't know the answer to, that I'm quite sure when we get to payment. steep dive, that, the guy saying that one. Well, so I'm just gonna, just whoever asked it, thank you for this question, and we'll make sure it's picked up in the payments session, But just so everybody knows what the question was. And it's around accelerate activities, as I said, is, I think that's quite tricky.

1:25:18

It's quite tricky, tricky concept that I think that the question was, can you give some examples of accelerate activities that would be in Skype for payment service provider, or E money institution? So, what we'll do is we'll make sure that's picked up on the, on the payments on the payment session, unless Sarah ... particular piece on that, and say, Sorry. Sorry. Not to be able to answer that one today, but we will make sure it's picked up. And I think time for one last question.

1:25:50

I've got one here, which is a good run high.

1:25:53

If the business determined that price X is fair, can they provide the same product for a price less than X, on the basis that it's even Ferrer?

1:26:07

So, Sarah, what do you think?

1:26:11

I would have thought sorry, Yes.

1:26:14

Yeah, it's not much isn't there in the rules about teaching to looking at monthly exact phraseology.

1:26:21

But, if the customer can get cheap product for, with the same or better benefits for the set for a cheap, cheap price, essentially, say, well, you've got customers already in inner products, where there is a sort of cheap products, the same, benefits those customers in the existing original product. I can say that there are certain factors you'll need to think about in relation to the fair value assessment. I mean, the only thing that they've they've gone into in extreme detail.

1:26:58

If they see they fed that, you know, that then they're not preventing cross subsidization and they're not preventing sort of special offers or anything like that.

1:27:09

But what they've said is if I see anything that smacks of the price walking issue that they fall in general insurance, then they will take action.

1:27:17

So I think I think you have to sort of, even though you may not be in that GI factor, you have to look at the output from the You have to look at your product, and you have to take the sniff test about whether what's being proposed.

1:27:32

Is anything similar to the price walking back book?

1:27:38

Loyalty, customer penalty, that's been suffered in the industry for some time.

1:27:43

Whether you're, um, offering a incentive for new business or whatever it is you're thinking of doing, could actually lead you to Eschewed Portfolio.

1:27:54

It's those questions that you have to sort of go through.

1:27:58

Thank you, conscious. We are up at time now. So thank you, everybody, for joining today, and for all of your questions. Very much hope that you'll join us on some of the products sessions. And we will be circulating that detail scattered, how you can sign up for them after this session, and please do we've got a number of products and services, and types of support We can help firms with in relation to consume a TT. So if he wants to get in touch, please do. I contact details. And as I say, I look forward to seeing you at some of the data sessions this week.

1:28:32

Thank you for your time, OK, Bye.