Deloitte.

Conduct Risk in Swiss Insurance

Customers, Culture, Compliance

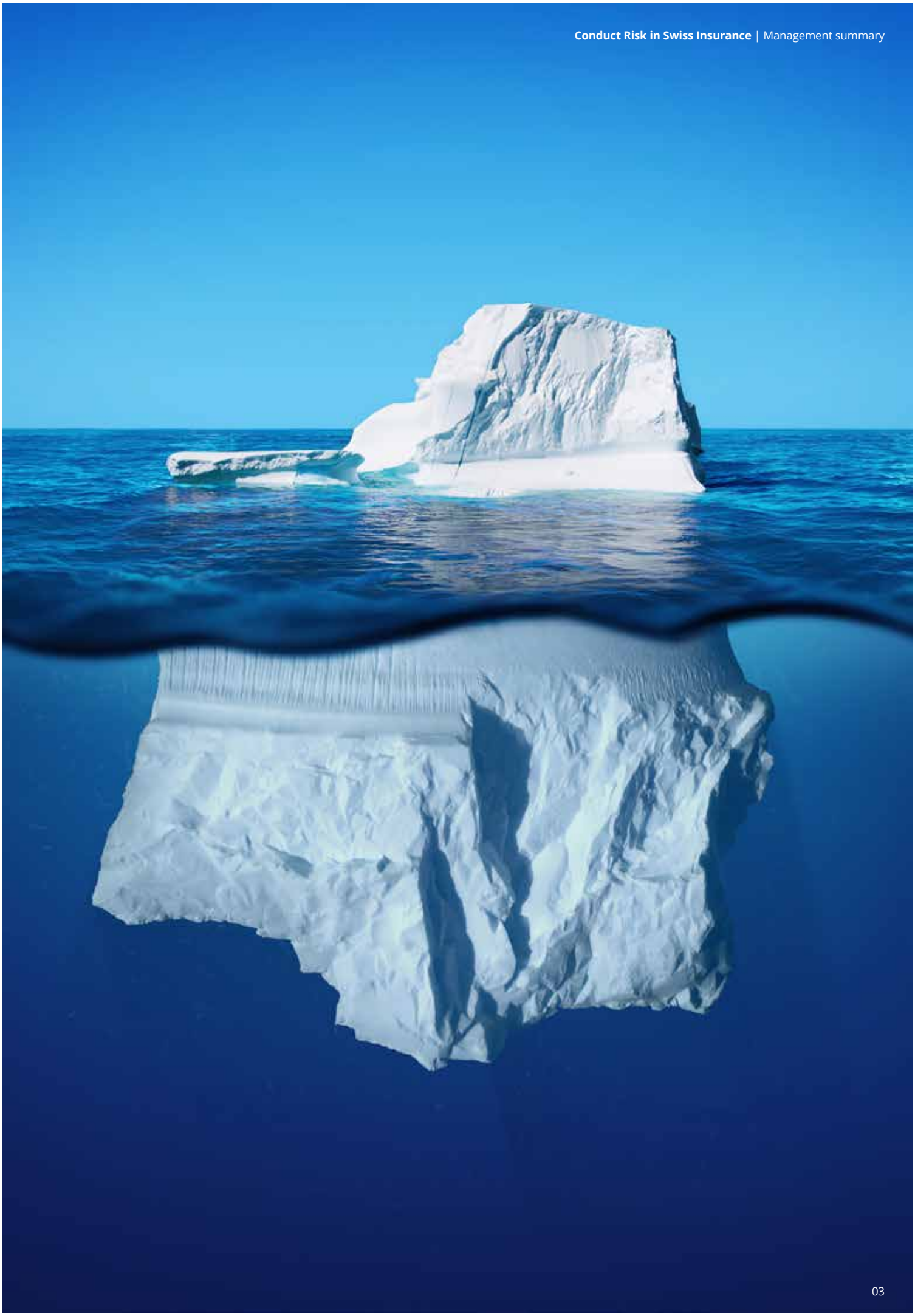
November 2016

Point of View

Contents

Management summary

In this paper we study the emergence and evolution of conduct risk regulations within the Swiss financial services industry. We highlight the recent significant penalties for misconduct and the rising global cross-sectoral regulatory focus on the topic, before discussing the key regulatory developments in Switzerland. Publications and supervisory expectations from the Swiss Financial Market Supervisory Authority (FINMA) are increasingly pointing towards strengthened conduct supervision. FINMA defined the "promotion of integrity, transparency and client protection in business conduct as one of FINMA's strategic goals". We briefly highlight similar trends that can be observed in current and upcoming EU regulation, consumer protection and corporate governance in particular. The paper extracts high-level conduct issues and risk-management vulnerabilities that exist in insurance and proposes some ways insurers can manage and mitigate these risks. We conclude by making a case for immediate action and the strategic advantage this would bring to the firms.



01 Understanding conduct risk

1.1 What is Conduct Risk?

The financial crisis starting in 2008 resulted in a growing push for robust supervision of the financial services industry. Within the EEA the focus has been on increasing consumer protection, transforming culture and rebuilding confidence in markets. Against this background, there is an agreement amongst governments and regulating authorities that the concept of proper conduct is no longer an abstract, "nice to have" requirement nor yet another check-box in a compliance function workbook but a non-optional way of doing business.

Misconduct or Conduct Risk has been variously defined but for our purposes, it can be understood as a category of risks arising from any action of an insurer that results in customer detriment, negatively impacts market stability or is in breach of applicable laws and regulations.

For Insurers, the International Association of Insurance Supervisors (IAIS) defines Conduct of business risk as "the risk to customers, insurers, the insurance sector or the insurance market that arises from insurers and/or intermediaries conducting their business in a way that does not ensure fair treatment of customers". [1]

In most jurisdictions, supervisory bodies have a mandate to detect and prevent misconduct. This is in addition to their expected prudential responsibilities. However, having the authority and a toolkit of regulatory powers alone is not sufficient – these need to be used appropriately. A focus on prudential health and the overall complexity of the industry (especially with uncertainties around what constitutes misconduct) had somewhat limited the number of enforcement actions until recently. This is rapidly changing and the impact on the industry is immense.

1.2 Types of Misconduct

Table 1: The main types of misconduct are usually identified as follows:

Type	Description
Misselling	• Misselling of financial products to retail customers, for instance the missold payment protection insurance [2] • Mis-selling of financial products to professional clients, for instance the US subprime mortgage-backed securities mis-sold by US banks
Violation of national and international rules and regulations	• Breach of tax rules, anti-money laundering rules, anti-bribery, anti-terrorism rules, economic sanctions, etc., for instance Swiss and EU banks breaking US sanctions against trade with Sudan, Iran and Cuba and the much publicised involvement of banks in the money laundering related to the drug-trafficking proceeds from Mexican and Columbian drug cartels [3] • Breach of Data Privacy rules e.g. Zurich Insurance was fined £2.3m by the Financial Services Authority (FSA) in 2008 for losing confidential customer data of 46 000 customers [4]
Market manipulation	• Manipulation of financial markets, for instance the manipulation of LIBOR rates and foreign exchange benchmark rates by several global banks

Source: European Systemic Risk Board [5]

1.3 Why care?

If we consider the most recent cases of misconduct in financial services industry as a whole, both the value of the fines and the frequency with which they have been dispensed (See Table 2) are staggering, for example, the total redress amount paid out relating to the Payment Protection Insurance (PPI) mis-sold by UK banks since January 2011 was £23bn with additional payments anticipated. [2] In this case, the British banking industry was alleged to have sold PPI aggressively to its customers even when these policies were unsuitable in many ways. They were expensive - sometimes adding 20-50% to the cost of a loan, redundant – unfairly structured so as to limit payouts to genuine claimants, or completely mis-sold – without the customer's consent or knowledge or 'bundled' with products [6]. There are many other instances of misconduct due to inappropriate incentives of sales staff preferring volumes of policies sold over suitable customer outcome.

Apart from the obvious punitive damages resulting from not managing conduct risks well, Firms also face the risk of distressed or disadvantaged clients (e.g. if a customer was already facing hardship, a mis-sold expensive policy might have a significant negative impact), compromised integrity of the markets they operate in and erosions in profitability and value

US: Goldman Sachs agreed a $5.1bn settlement with US authorities over mis-sold mortgage-backed securities (MBS), in a final agreement in 2016 [7]. In fact, mis-sold MBS related fines on some of the biggest U.S. banks, Bank of America Corp., J.P. Morgan Chase & Co., Citigroup Inc., Wells Fargo & Co., and Morgan Stanley together aggregate more than $110bn [8].

Europe: Commerzbank was investigated for business dealings with countries on the US sanctions list and was eventually fined $1.45bn over money laundering and sanctions violations [9]. The French bank BNP Paribas paid almost $9bn for violating U.S. sanctions against Sudan, Cuba and Iran in 2014.

"The worse the corporate governance seen in an organisation, the more intense the supervision. The higher our trust in the decision makers and the reliability of control processes, the less the need for intensive supervision. It is interesting this context that the majority of our enforcement cases originate somewhere in have deficient management and control processes".

Speech Mark Branson, FINMA, 2015 [19]

Closer to home, in **Switzerland**, at the back of disclosures by whistleblowers, landmark settlements were agreed with UBS in 2009 for a $780m fine and with Credit Suisse for $2.6bn in 2014 for tax evasion charges. Additionally, FINMA recently concluded enforcement proceedings against UBS for manipulations of foreign exchange benchmarks where it found that "employees acted against the interests of their clients. Risk management, controls and compliance in foreign exchange trading were insufficient". The regulator announced that "by breaching control requirements and owing to the misconduct of its employees, UBS severely violated the requirements for proper business conduct". On top of a penalty of CHF 134m several remediation measures were mandated. [10]

Apart from the obvious punitive damages resulting from inadequate handling of conduct risks, firms also face the risk of distressed or disadvantaged clients (e.g. if an expensive insurance product is missold to customers already facing some level of financial hardship, this may have a significant negative impact on them), compromised integrity in the markets they operate in and erosions of profitability and value.

Clearly, businesses should be run ethically without any external nudges or intervention. Reality is that Financial Services today are regulated by a complex, interwoven network of regulatory authorities and Conduct of Business is almost consistently at the core of every supervision agenda.

[1] Bloomberg reported in early 2010 that "since 2006, more than 22 000 people have been killed in drug related battles". Martin Woods, director of one of the implicated banks draws a clear link saying, "If you don't see the correlation between the money laundering by banks and the 22 000 people killed in Mexico, you're missing the point." [14]

"Reckless behavior was followed by episodes of misconduct that persisted well after the onset of the crisis – from rigging of interest rates and exchange rates to malfeasance and governance failures such as the London Whale. **These actions tear at the very fabric of the financial industry."**

Christine Lagarde
International Monetary Fund

"Considering that poor conduct of business practices may lead to widespread consumer detriment, the need to tackle conduct of business risk sits high on EIOPA's agenda."

European Insurance and Occupational Pensions Authority (EIOPA)

"Going forward, FINMA will place increasing emphasis on monitoring compliance with codes of conduct."

Annual Report
FINMA

"We expect Boards of insurance companies to set, communicate and enforce a risk culture that consistently influences, directs and aligns with the strategy and objectives of the business and thereby supports the embedding of its risk management framework and processes."

Gabriel Bernardino
Chairman of the European Insurance and Occupational Pensions Authority (EIOPA)

"The repeated nature of these fines demonstrates that financial penalties alone are not sufficient to address the issues raised. **Fundamental change is needed to institutional culture, to compensation arrangements and to markets."**

Mark Carney
Bank of England

Table 2: Details of some recent penalties for misconduct

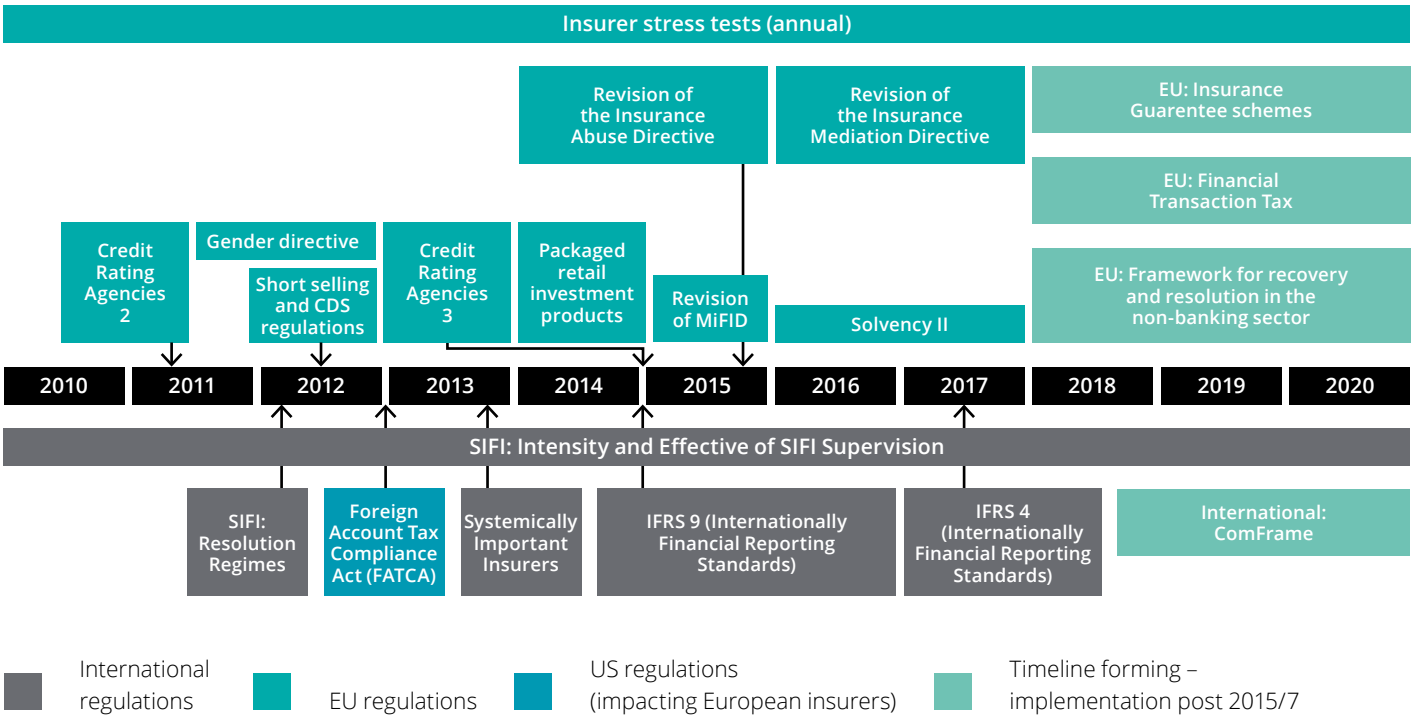
Company	Fine	Comments	Agency
Zurich Insurance [3]	£2.3m	Breach of data privacy rules	FSA
Goldman Sachs [5]	$5.1bn	Mis-selling MBS	US Authorities
Commerzbank [7]	$1.45bn	Money laundering and violations of sanctions	US Authorities
BNP Paribas	$9bn	Violation of sanctions	US Authorities
UBS	$780m	Tax evasion charges	FINMA
Credit Suisse	$2.6bn	Tax evasion charges	FINMA
UBS	CHF 134m	Violation of proper business conduct	FINMA1
Deutsche Bank	$780m	Manipulation of benchmark interest rates	US Authorities
Bank Leumi	$130m	Facilitation of tax evasion	US Authorities
Ocwen	$150m	Mortage misconduct	US Authorities
Bank of Tokyo Mitsubishi II	$315m	Deceived in Anti-Money laundering	US Authorities
Standard Chartered Bank	$300	Violations of Consent Order regarding anti-money laundering Compliance	US Authorities
MetLife	$50m	Unlicensed insurance activity	US Authorities
QBE	$10m	Force-plan insurance kickbacks	US Authorities
Assurant	$14m	Insurance law violations	US Authorities
AXA Equitable	$20m	Violating consumer protecting laws on annuity products	US Authorities
Bank of America	$180m	Manipulation of foreign exchange rates	US Authorities

Source: Deloitte-internal Research

1.3 No Single Regulatory Deadline

While not formalised into a single regulation, conduct related requirements are central to a majority of recent and upcoming regulations. This is a challenge and the severity would depend on the maturity of the regulatory response infrastructures in place in the organisations. The best case scenario would be an organisation with fragmented best practice across its business that simply needs to be communicated to the regulator in a coherent narrative backed by evidence. The challenge with conduct and related ethical requirements is that these tend to be without a single rulebook and judgement based as opposed to the old, check box frameworks the industry has been largely used to. The interconnected matrix of regulations and regulatory authorities that the industry operates in adds further complexity [11].

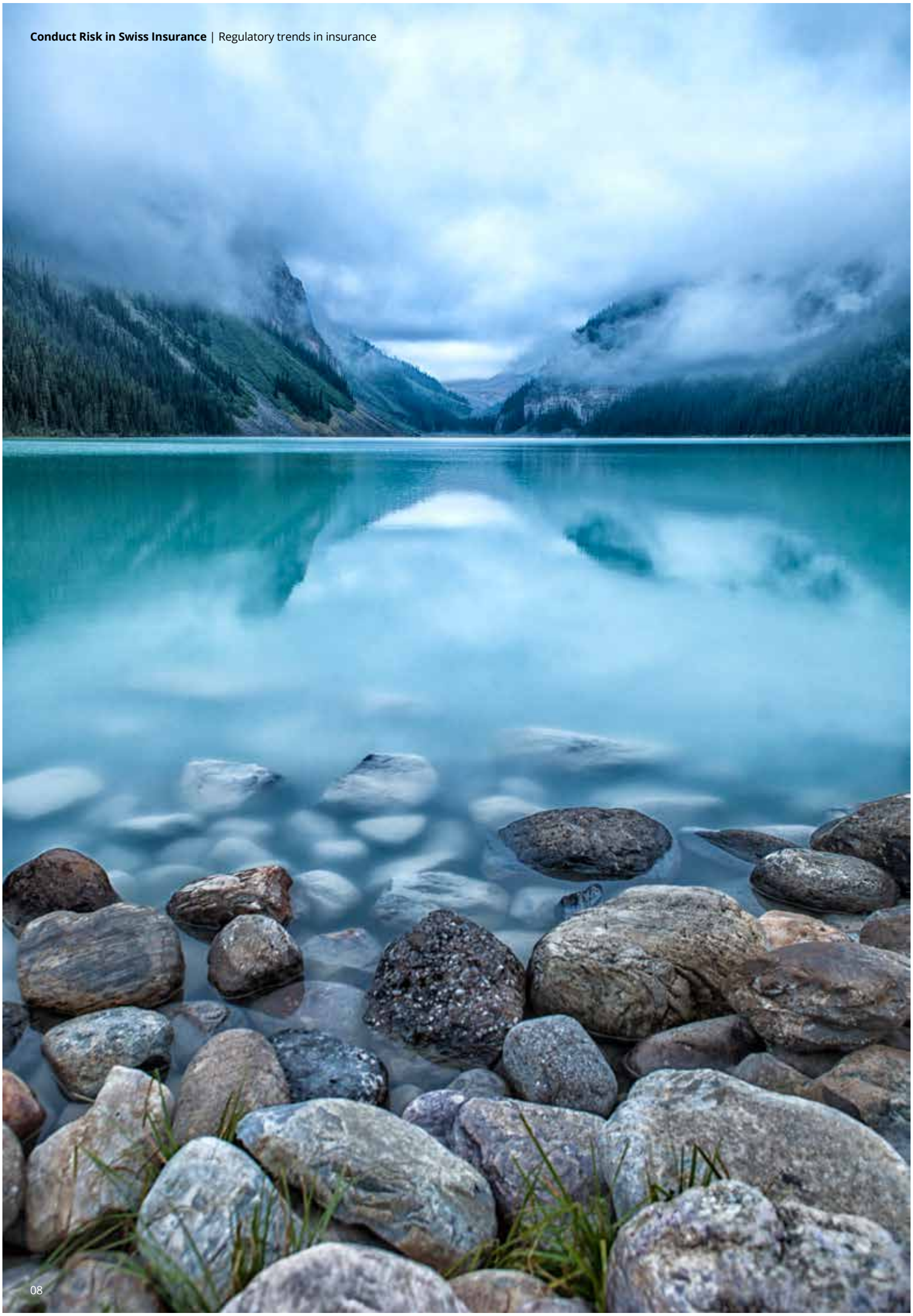
Table 3: Illustrative timeline of European and international regulations impacting EU member insurers 2010-20



Note: Dates are for expected implementation. Not all dates are certain. Where the timetable is being formed, regulation has been assigned to post-2017, which is likely but not certain. Not all EU members are subject to Financial Tranaction Tax.

Source: Deloitte Insight 2013

Another challenge is operationally embedding the concept and sentiment of appropriate conduct. This undertaking is more difficult and needs to be addressed using a coherent framework. Concrete suggestions are to be found in section 4 of this report.



02 Regulatory trends in insurance

2.1 FINMA – Swiss regulator expectations

"The Board of Directors defined the promotion of integrity, transparency and client protection in business conduct as one of FINMA's strategic goals for 2013–2016. Following incidents involving misconduct at individual institutions, FINMA is taking concrete steps to advance its conduct supervision. It is strengthening and systemising its preventive supervision in this area on the basis of the regulations currently in force. The aim is to make the supervision of business conduct more forward-looking."

FINMA, Annual Report, 2015 [12]

A recent assessment of observance by the International Monetary Fund (IMF) found that while current Swiss laws clearly stipulate their consumer protection intention (FINMA being the key supervisory body tasked to intervene on behalf of customers) detailed specific rules on business conduct with associated guidelines were lacking [13]. FINMA's response has been swift.

"A number of general measures are required to reduce the risk of misconduct. Senior management must lead by example. Companies must not put profits before the interests of their clients. Remuneration systems must not incentivise inappropriate conduct. Firms need to pinpoint where the dangers lie, and issue internal directives and regulations to limit them.

Employees need to be trained in what is expected of them, and adherence to directives must be rigorously enforced. Compliance needs to be a strong and effective control function; misconduct must be strictly sanctioned internally."

- Senior Management Accountability
- Awareness of sources of misconduct
- Effective controls and strong compliance
- Clients before Profits
- Remuneration incentivises the "right things"
- Strict internal sanctions for misconduct

From dedicated sections in its Annual Report pledging the "strengthening and systemisation of business conduct supervision" [12] to speeches by the executive, the Swiss Financial Market Supervisory Authority FINMA is committed to reform its prudential, quantitative supervision stance to one that will increasingly be investigating issues relating to customer detriment, product suitability and management accountability [12]. Industry will therefore not only need to align their local business practices to the new regulatory requirements but also ensure these efforts are synchronised with their global conduct risk strategy.

As in previous years, FINMA detailed the main focus of Banking division's on-site supervisory reviews in 2015 to be on "lending (including mortgages), money laundering, investment banking, suitability, and organisation and processes in different sectors". For Insurance this, apart from technical provisions, and the application of the Swiss Solvency Test (SST) will be on outsourcing of insurance activities and corporate governance. The regulator acknowledged that the depth of on-site supervisory reviews "has been increased across the board" [12]. With this in sharp focus, we believe, there is a requirement for Swiss Financial Services participants to implement more comprehensive measures in order to understand Conduct Risk in the wider context of regulator expectations and effect a fundamental change in the way they do business today.

Table 4: Recent FINMA Circulars and Ordinances on Conduct of Business

Publication Type	Name/Ref	Date of release	Focus area and comments
Circular 2013/8	Market Conduct Rules	29 August 2013	• Misuse of insider information • Market manipulation • Market abuse
Law	Federal Act on Stock Exchanges and Securities Trading	24 March 1995	• Law should enable the functioning of the Swiss security market • For this purpose, it focuses on market conduct (prohibiting the misuse of insider information and market manipulation)
Ordinance	FINMA Anti-Money Laundering Ordinance	3 June 2015	• Obligations to prevent money laundering and terrorist financing.

2.2 Insurance in the EU

FINMA is strengthening and systemising its supervision of conduct rules. It is also focusing in greater detail on: suitability of products and services for clients, cross-border financial services, financial crime and money laundering.

With a 35% share of the global market, the European insurance industry is the largest in the world. The insurance sector is also the EU's largest institutional investor, "providing a steady flow of long-term capital that contributes considerably to the stability and functioning of financial markets" [15].

Switzerland, in particular is home-turf for market leaders such as Swiss Re, Swiss Life, Zurich and Baloise in addition to being a large reinsurance hub. Several other major international players also have significant presence here e.g. Axa, SCOR, Allianz, Munich Re and Generali.

Supervisors are now extending the regulatory focus on misconduct issues from banks to insurers. The regulators state that banks "with their central position in the financial system and wider economy, generally pose the greatest systemic risk" [16]. This focus, though largely justified in the wake of the financial crisis, now needs to be recalibrated to take into account the wider mix of participants in the Financial Services industry and the risks they impose. We believe the next focus will be on Insurers.

2.3 Key regulatory developments in Swiss/EU Insurance

Identical to the trends we observed in banking, emerging regulations in insurance have recently focused on increased customer protection, greater consistency between national regulations, clearer cross-border procedures for insurance markets, monitoring of remuneration disclosures, stringent product oversight and governance rules for product manufacturers and distributors.

Heightened scrutiny of corporate governance and spotlight on consumer protection: as at the time of writing this report, the Swiss regulator FINMA had already sent an online questionnaire on corporate governance to insurers. This questionnaire assesses the respondents on Conduct related themes of corporate structure, board of directors, executive board and control functions [12]. This assessment, FINMA believes, will improve qualitative insurance supervision.

Recent reports by Switzerland's key industry body, The Swiss Insurance Association (SIA) suggests that the Swiss insurers believe that the "Swiss protection system for insurance customers has stood the test of time even during the global financial crisis". While this is largely true, the sector itself believes that there are aspects of current banking regulation that should be reflected in the major insurance regulations, the Federal Act on the Oversight of Insurance Companies (VAG), the Insurance Oversight Ordinance (AVO) and the Federal Act on Insurance Contracts (VVG). This signals a need for an increased communication with the regulator and with peers within the sector [17]. SIA, explicitly supports "the objective of FIDLEG to close any gaps in customer protection", adding, that in the interests of a level playing field, "the following FIDLEG objectives should be implemented in the VAG/VVG for qualified life insurance products, taking the specific characteristics of the insurance industry into account:

- key information document
- enhanced transparency at the point of sale as regards the status of the insurance intermediary
- assessment of appropriateness
- documentation" [17]

There are already a number of statutory and constitutional provisions in place [18] to ensure consumer protection in Switzerland and we highlight the key legal provisions in Table 5 below. One way the regulator has chosen to ensure Consumer Protection principles are adhered to by Insurers is to tighten the requirements around disclosures. This can create an informational overload which is not conducive to informed decision making. Indeed, according to Insurance-Europe, when an insurance-based investment product is sold online by a broker, the total number of items of pre-contractual information required increases to as many as 148 (c.f. approximately 75 today) [15].

Table 5: Consumer Protection related statutory and constitutional provisions (Switzerland)

Legal provisions	Description
Swiss Federal Constitution: Protection of Consumers, Art. 97	• The Confederation shall take measures to protect consumers. • It shall legislate on the legal remedies available to consumer organisations. These organisations shall have the same rights under the federal legislation on unfair competition as professional and trade associations. • The Cantons shall provide a conciliation procedure or a simple and rapid court procedure for claims of up to a certain sum. The Federal Council determines this sum.
Federal Act on Consumer Information (KIG), Art. 1:	The purpose of this law is to promote the provision of objective information to consumers by means of: • Regulations concerning the labelling of goods and the disclosure of the content of services • Financial assistance to consumer protection organisations.
Insurance Contract Act (VVG), Art. 3-6, 15	• Insurer's duty to provide information • Obligation to disclose information • Moral imperatives
Insurance Supervision Law (VAG), Art. 1	It is aimed particularly at protecting insured parties from the risk of insurance companies becoming insolvent, and against malpractice.
Federal Act on Financial Market Supervision (FINMAG), Art. 5	In accordance with the financial market acts, financial market supervision has the objectives of protecting creditors, investors, and insured persons as well as ensuring the proper functioning of the financial market. It thus contributes to sustaining the reputation and competitiveness of Switzerland's financial centre.

Source: SVV "The consumer's view of consumer protection: an empirical study of the Swiss insurance market" [18]

EU's Insurance Distribution Directive (IDD) amends and replaces the Insurance Mediation Directive (IMD I) 2002/92/EC, and implementation is expected before the end of 2017. In addition IDD presents a strong indicator for the shift of regulator focus in the industry moving from prudential, risk-based measures towards policyholder protection and conduct. The overall purpose of the Directive is to raise the basic standards with regard to distribution rules for all types of insurance products. IDD also introduces new additional conduct of business rules mostly relating to remuneration suitability and appropriateness requirements when advice is provided. IDD scope is wide and includes:

- Increased customer protection
- Consistency between regulation of insurance-based investment products and products subject to MiFID II
- Clearer cross-border procedures for insurance markets
- Introduction of remuneration disclosures
- Standardised information provided to customers of non-life insurance products

It is clear to see the distinct overlap between the supervisory intention of IDD and the recently announced focus areas from FINMA.

The new Packaged retail and insurance-based investment products (PRIIPs) regulation, applicable by the end of the year also aims strongly towards investor protection and mandates information leaflets (Key Information Document, KID) to provide clear and concise information to investors.

The topic of Information asymmetries between insurance providers and end consumers or investors is outside the scope of this paper but it is evident that there is a trend for emphasis on information that is clear and easy to understand and which empowers informed decision making. This is something firms may wish to consider across their product-lifecycle.

03 Conduct issues in insurance

3.1 Not all insurers are the same – need for customised remediation

The key reason Insurers, as well as Banks fail to address Conduct Risk is that evaluating the precise components of the risk they face is not an easy task. Identifying what drives the overall behaviour of the firm and translating it into tangible operational enhancements requires deep industry, regulatory and customer insights combined with organisation – wide ownership.

While the general principles of appropriate conduct of business could be universally applied across the Insurance industry there are risks specific to the nature of a business that should be taken into account e.g. while a general insurer could choose to focus on the quality of customer contact, claims processing times and sales practices, wholesale insurers must also carefully consider the role of brokers and intermediaries, coverholders and service companies in the distribution of products and are ultimately responsible for issuing guidance as well as minimum standards to market participants.

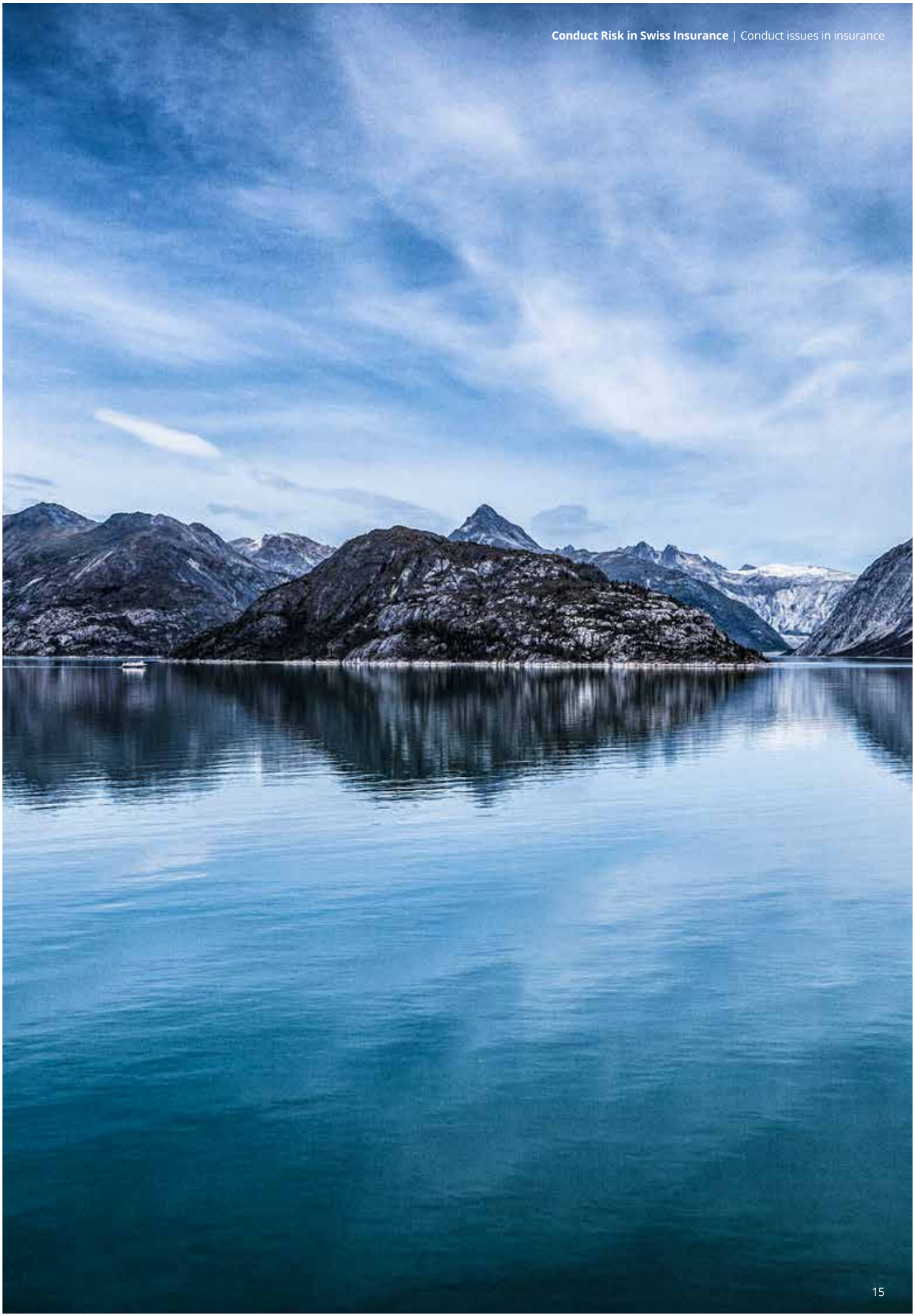
3.2 Conduct related pitfalls can occur throughout the product lifecycle

Apart from some differences based on the particular business model of the insurer, the entire product lifecycle is subject to different kinds of conduct issues. Based on client experience and industry insights we anticipate the kind of hypotheses regulators might wish to test and the potential questions they could ask to establish conduct related vulnerabilities. These are the kind of questions firms should be asking themselves today.

Table 6: Product lifecycle and (potential) regulatory relevance

	Hypothesis	Probing Questions
Product Governance & Approval	• New products designed which do not represent a fair value for money • Products not stress tested in different markets or customer segments	How do you mitigate the risk of offering advice when offering non-advice sales? How do you prevent an end customer buying a complex insurance product he/she does not understand? Do you offer automatic renewals and if so how do you ensure continued suitability? Are a large proportion of your claims getting unfairly rejected at the first point of contact? Are your claims processing times unreasonably long and the claims process overly complex as compared to your peers? What is your approach for dealing with intermediaries and brokers who have a poor compliance track record and are not familiar with your company's values and strategy? Have you outsourced key functions such as claims processing or complaints handling?
Sales	• Sales processes result in poor customer outcomes • Distribution strategies are not aligned to the relevant market demographic • Clear reward measures are not built robustly into sales staff remuneration frameworks	
Claims/ Client Servicing	• Claims process is too complex and poor management of the claims settlement process results in high levels of customer dissatisfaction and/or emotional distress • Attempts to push down aggregate claims costs by not settling or delaying the settlement of valid claims • Insufficient explanation of repudiation reasons • Barriers to complaints e.g. an overly complex complaints process	
Others (includes outsourcing, offshoring etc.)	• Poor management of supply chains • IT and infrastructural complexity means that senior management time is severely limited at times to the detriment of customers • Opaque outsourced/offshored processes that are misaligned to company's values and standards	

In this section we proposed a structured high-level assessment of risks arising from the activities a typical insurer undertakes. In so doing, a framework for some 'quick wins' is available for the firms to consider and use.



04 How should you respond?

4.1 Where does one start?

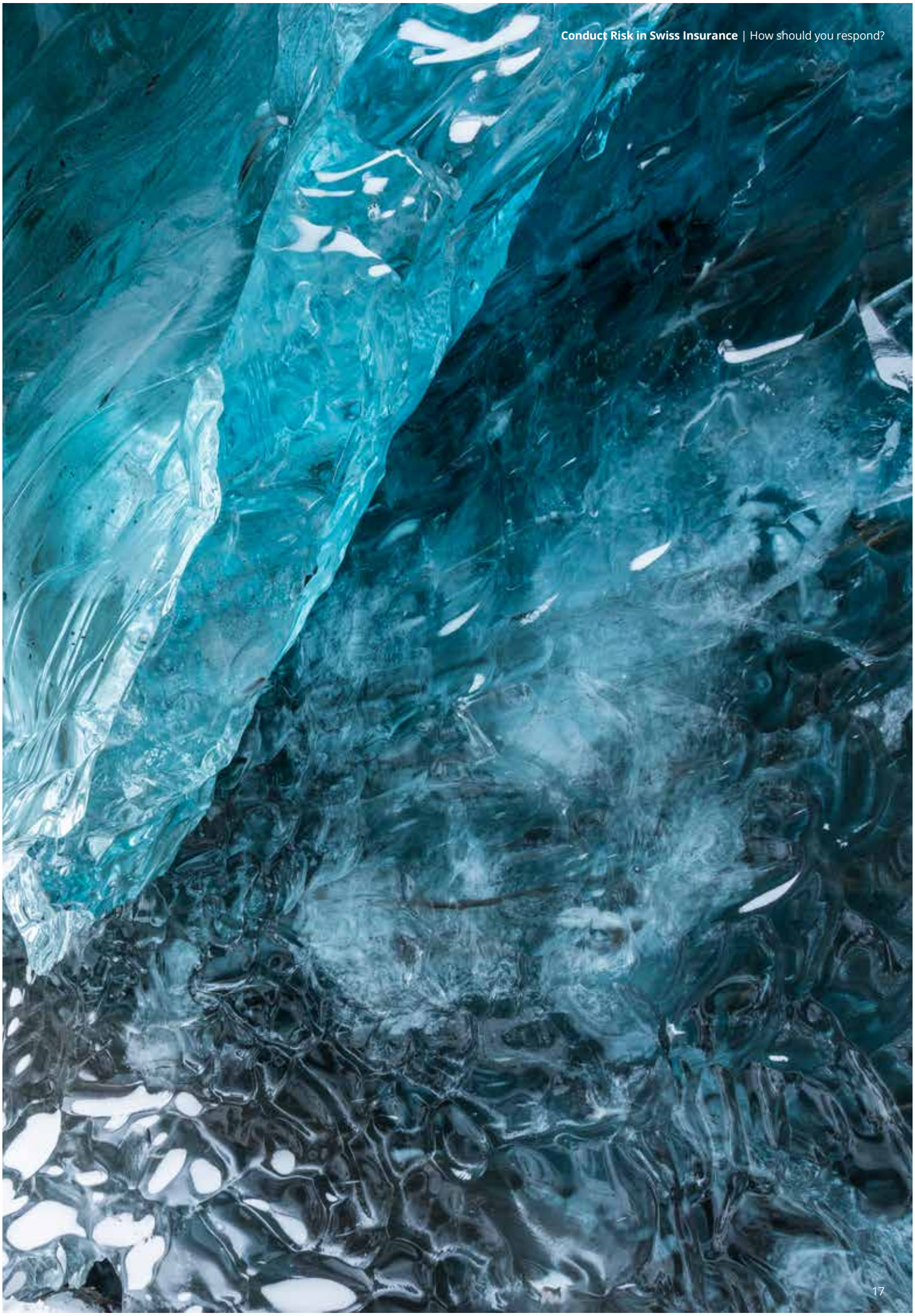
Before undertaking yet another disparate regulatory remediation project largely underpinned by any single legislation or affecting an already well understood single area of your organisation one must ask themselves the questions outlined below. In order to design a blueprint strategically aimed at future regulatory responses to conduct risk issues and to provide a robust basis for a fundamentally risk aware and customer oriented organisation several questions need to be answered.
It should also be noted that initial assessments by the firms need to take into account the 'spirit' of local regulations and supervisory implementation focus while identifying areas of improvement. Questions to be asked cover the domains of senior sponsorship, ownership and engagement, granular and meaningful measurement frameworks for Conduct Risk related data, and effectiveness of control functions. In addition, going further afield, any significant outsourcing arrangements must be reviewed in respect to the firm's own risk appetite levels and organisational code of conduct.

4.2 Expect some challenges!

As highlighted earlier, tackling Conduct Risk is not a simple task. There are expected challenges in integration in existing decision-making frameworks in an organisation, consistency of understanding the concept of conduct/misconduct including the resulting actions and the herculean task of balancing cross-border expectations and issues.

Within the last few chapters, we defined the overall concept of business conduct, its rising importance in the Swiss and EU regulatory space, its unique application to the insurance sector and the relevant questions firms must ask themselves to design a reasonable blueprint for future action. Having already proposed ways to respond, in the final chapter, we will build a case as to why this response needs to be shaped urgently.

1. Has your organisation defined and formalised good Conduct and ethical values and behavior?
2. How closely are your control functions aligned with senior management and the board?
3. Are there granular and comprehensive KPIs in place to alert board and senior management to future Conduct Risk and if requested could they use these to demonstrate credible engagement on risk issues?
4. Have Conduct principles and your own customers been considered in improving product design and approval processes?
5. Which customer impacting activities have you outsourced and what are the oversight mechanisms in place?
6. Is your firm using both reward and sanctions to drive a customer-centric culture within your organisation?
7. Is there a clear ownership for different dimensions of Conduct Risk?



05 Why you should respond now?

Having analysed the relevant regulatory landscape including the recent developments in the Swiss regulator's aproach and intensified focus on conduct, the case is clear for the firms to act now. Several benefits of immediate action have been outlined below. While the proactivity demonstrated by the firms in addressing conduct is likely to be viewed very positively by the regulators, the potentially significant brand enhancement with clients, customers and talent marketplace is even more important.

Quick and decisive steps taken now will ensure a more efficient and strategic response as the firms will be in a position of control and will have a longer timeline at their disposal to shape their own conduct agenda. Compare this to a scenario where the regulator mandates a specific remedial action – and as a result – the firm's competitive advantage and brand is lost. Not to mention the high cost of 'management stretch' which could otherwise have been spent on more value adding activities.

Act now. No regrets. This is how business should be done anyway!

- **Regulators** + Proactive approach to tackle conduct issues in your business demonstrates a commitment to the regulators that you care about ethical issues and manage your risks well
- **Clients/Customers** + Clients and customers want to deal with businesses that value them over profits
- **Competition/Peers** + Acting now and getting a head start over your peers will be a unique competitive advantage and a compelling marketplace story
- **Talent** + A strong image of an ethical organisation with values, principles and a brand of good conduct will help you stand out in the industry and attract the right kind of talent.

Proactive action now will translate into...

- **Efficient response** + Acting now without specific regulatory deadlines gives you a chance to plan and implement changes in an efficient way
- **Strategic response**
  - + Addressing Conduct issues now is a highly strategic endevour as it invariably ties into multiple regulatory strands.
  - + Opportunity to incorporate your own strategic priorities in what would have otherwise been a reactive, standalone 'fix'.
- **Robust evidence for regulators** + Acting without being 'told to' is a strong message to your supervisory bodies and helps build a positive, collaborative relationship.
- **Prime vantage point for further regulatory action** + Remediation actions arising from self assessments put a firm in a great position by providing a validation layer that helps up with confident pre-emptive shaping of the business.

Managing Conduct Risk is a strategic imperative which has an impact beyond just preventing reputational erosion due to fines and penalties. Depending on one's remit, teams can choose to view it as an exercise in operational efficiency, a judgement based enhancement of compliance or a mandatory strategic review challenging the status quo – whatever the angle chosen, the ultimate desired outcome should be a firm where the conversations around ethical means of doing business are not limited to traditional control functions but permeate the overall culture of the firm.

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