

Duty of Care: from must to accelerator?

April 2018



amet, consectetur adipiscing elit. Nullam molestie nunc
vulputate mi consectetur. Nullam risus odio, eleifend et
erdiet tortor. Ut in viverra turpis. Nam ullamcorper velit
e. Nullam nec lacus. Aliquam iuctus euismod vel turpis
ia lacus. Vestibulum faucibus faucibus leo vitae tortor
Cras elementum sapien at tempor venenatis. Quis
ctus gravida. Nulla iaculis elit nisi, in tempor posu
on ligula eu magna. Auctor ultricies a quis magna

risus, at tincidunt orci dignissim ultricies. Proin
in eu ultrices. In eu iuctus urna, nec finibus
et nisi lobortis, lobortis imperdiet lacus tincidunt. Mauris
ta consectetur rutrum. Sed iaculis ligula nunc
et vel. In iaculis nunc quis massa lobortis
gue pretium, ut sollicitudin augue finibus. Quis
ero elit. Cras id venenatis, ornare magna. Auctor blan
nus sagittis fermentum.

It amet justo gravida, at vulputat tunc
estas quis ante ut, aliquam porttitor. Sed nisi
rhoncus sed, condimentum ac magna. Praesent quis
e libero vitae, varius lorem. Proin venenatis consecte
Vivamus magna turpis, commodo nec urna vitae.
s facilisi. Quisque vel imperdiet etat. Praesent velit orci,
dapibus accumsan lectus. Proin condimentum vulputat
s eu lectus quam. Donec facilisis consequat elit nec
paretra venenatis consectetur. Sed lacinia dignissim
per. Cras scelerisque finibus iaculis. Suspendisse ali
eu auctor est hendrerit quis.

rdiet hendrerit. Proin pellentesque condimentum odio,
or porta a. Mauris ut felis eu dolor laoreet ultrices. Cras
llis. Aenean congue magna id bibendum iaculis
fusse in diam ligula. Suspendisse interdum tempor
s. Nam blandit eros quis tellus auctor, at finibus urna
rum diam at odio accumsan vulputat. Fusce eu risus
ts tempus, iaculis purus. Praesent facilisis feugiat elit,
elementum sit amet. Phasellus a suscipit nisi.

commodo, tempus urna vel, viverra ligula. Aliquam in
et nulla vel, tincidunt velit. Nulla facilisi. Etiam interdum

Duty of Care: from must to accelerator?

Financial institutions are expected to act in the best interest of their clients, in the market known as Duty of Care. Financial institutions often struggle with their ambitions in corporate responsibility. Regulators and society keep on reshaping the Duty of Care landscape and standards. The public society and regulators expect a 'client-central' focus of their business relations and enforcement will follow if prevention is lacking. Cases such as Interest Rate Derivatives, Investment based insurance products and Interest-only mortgages show that institutions struggle with handling and solving Duty of Care related issues.

How do institutions balance their client-product portfolio against current and future insights and market expectations, especially for long-term products or products with strong dependency on market conditions? And how do institutions inform their clients sufficiently and fulfil their Duty of Care obligations in a digitalizing environment where real time transactions and online client communication will become the standard in the client life cycle? To stay ahead of regulatory discussions, financial institutions should be in the driver's seat of their Duty of Care obligations and gain insight into their vulnerabilities and develop a well-considered approach.

“Get in the driver's seat regarding your Duty of Care obligations, with a pro-active risk assessment and analytics approach with Deloitte's Duty of Care Solution”

Which challenges do we see in the market?

- Regulators concentrate more and more on harmful conduct, not solely on illegal conduct
- Increased critical view of the public society with regard to the way financial institutions design their Duty of Care obligations
- Having a clear view of Duty of Care risks within the product and client portfolio starts with defining a risk appetite
- Maintaining an optimum service provision and meet all your stakeholders' expectations
- Increased regulatory focus and supervisory pressure and enforcement
- Effective data-analysis requires quality of data
- More effective and efficient ethical operational management is key and should be part of the mind-set within the organisation

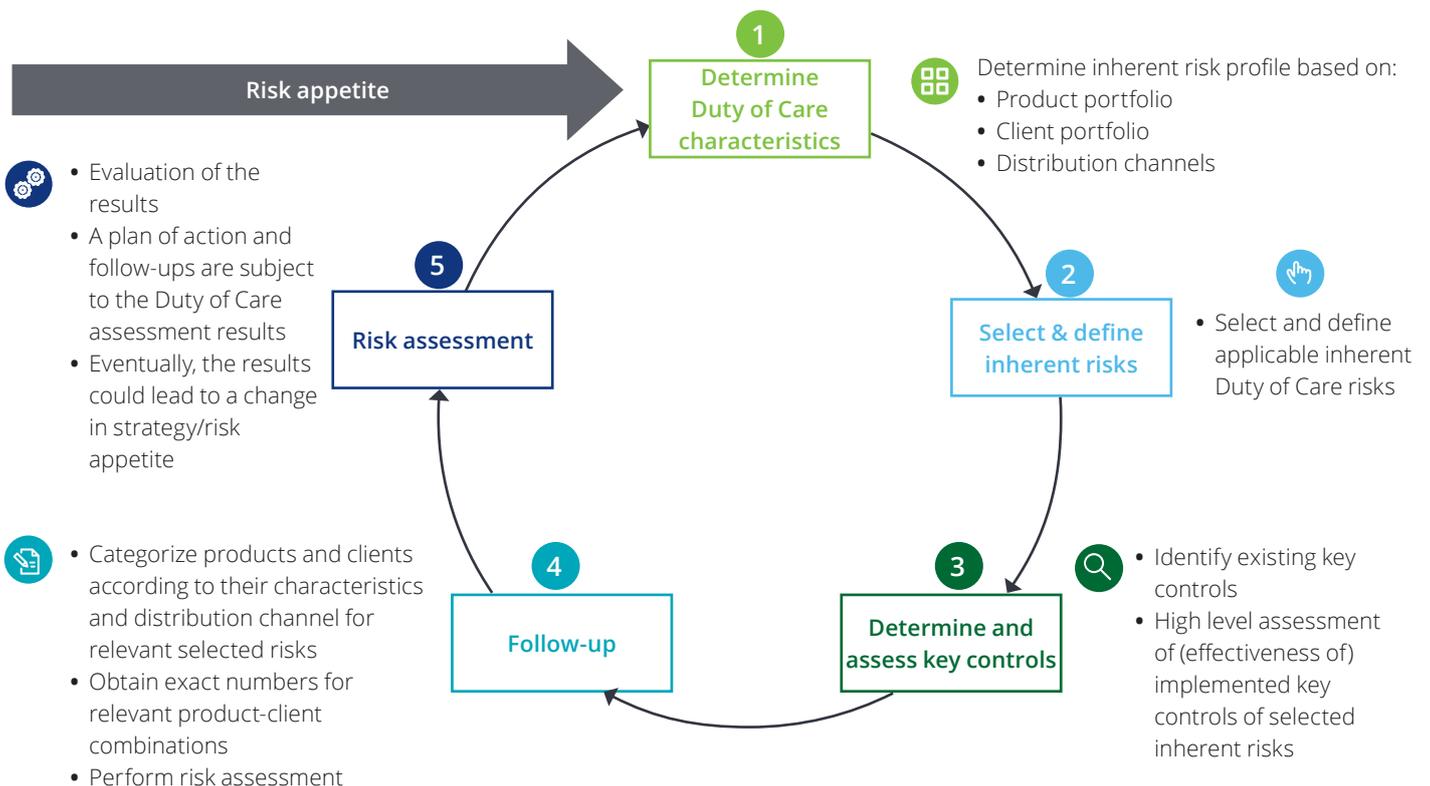
The importance of a targeted Duty of Care Risk analysis

Financial institutions do not have full insight in the Duty of Care risks related to their product and client portfolio, disabling them to act upon these risks in a timely and adequate manner. Because Duty of Care obligations could vary per product-client combination, institutions may overlook specific compliance gaps in their organization if they do not accurately assess their portfolios. Deloitte proposes to apply the 'Duty of Care Solution' with the targeted SIRA methodology in order to gain insight in the Duty of Care risks, enabling the financial institution to act upon these risks. The methodology is specifically designed for:

- Risk and control identification
- Explicit management of the Duty of Care risks

To enable a targeted SIRA and apply the methodology to those areas where you are most vulnerable, data analytics can be applied. By combining your knowledge from the organization and a predictive model based on data analytics, you can apply the SIRA methodology there where most needed. The assessment can be performed according to your wishes: from all portfolios within the organization, to one product only. Via the Duty of Care Risk Assessment you gain a clear understanding of your specific Duty of Care vulnerabilities. We apply the SIRA methodology which is specifically designed for risk and control identification, supplemented with data analysis methods. The assessment ultimately leads to evaluation of Duty of Care risks and possibly improved risk mitigation. Where appropriate, the Duty of Care Risk Assessment could be aligned and/or integrated with the existing SIRA within the organization.

“A systematic Duty of Care Risk Assessment will ultimately reduce the likelihood of a major remediation process and reputational damage”



Applying data analysis methods

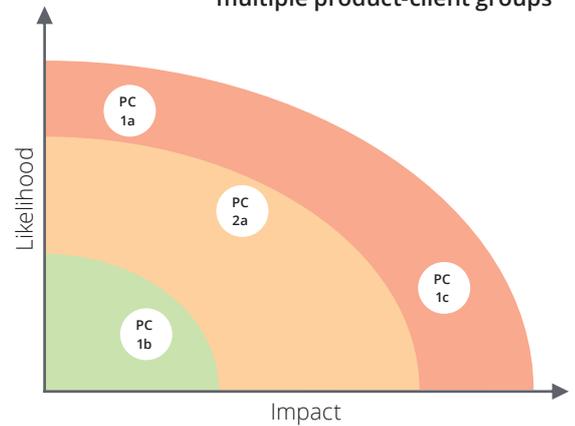
Your Duty of Care vulnerabilities are found by assessing inherent risks for relevant product-client combinations. Data-analysis methods can be applied to obtain quantitative information on Duty of Care characteristics, assessing key controls and in (the preparation of) the risk assessment.

The risk assessment of one scenario can be performed for one or multiple specific client-product combinations to obtain more detailed insight in the Duty of Care risks.

Example	Product-Client group PC1	Product-Client group PC2
	#clients	#clients	#
Client received written information and warnings			
Incomplete warnings sent in letter X and Y			
Unknown what and when clients received written information or warnings			
.....			



Example Risk Assessment multiple product-client groups



Advanced analytics is a key part of the Duty of Care assessment

Advanced analytics is about applying state-of-the-art techniques such as machine learning, predictive modelling, statistics, and advanced visualization to large volumes of data in order to gain actionable insights and achieve competitive advantages. Some examples:

- Real-time insight in client and product data and Duty of Care risks
- Real-time insight in actual product risks by monitoring elements of financial products (i.e.: the way they are actually used, client information)
- Efficiency in performing your Duty of Care SIRA
- Monitoring, predicting and improving workforce performance

Some advantages that can be reached



Insight in your specific Duty of Care vulnerabilities



Perform targeted activities; there where most needed



Generating management reports on Duty of Care risks



Anticipate in time to Duty of Care related challenges

Contact

Please contact us to discuss the possibilities of this method for your organization.



Martin Eleveld

Partner

Email: MEleveld@deloitte.nl

Phone: +31 (0) 6 232 451 59



Christiaan Visser

Director

Email: ChVisser@deloitte.nl

Phone: +31 (0)88 288 73 94



Hassan Bettani

Director

Email: Hbettani@deloitte.nl

Phone: +31 (0) 6 820 123 60



Wendy Brink - den Nieuwenboer

Senior Manager

Email: WBrink-denNieuwenboe@deloitte.nl

Phone: +31 (0) 6 300 687 42

How we can help you?

Deloitte has extensive expertise and a track record in the field of Regulatory Compliance in the financial services industry and has wide knowledge and experience in performing risk assessments. Our specialists can help facilitate the Duty of Care Risk Assessment for your organization, making it both in line with the regulatory requirements and your specific wishes in a flexible and efficient way.

Furthermore, we can establish a thorough monitoring system to constantly reevaluate your product-client combinations so that you continue to meet your obligations towards clients and regulators. As a result, you will act in your clients' interest and provide financial products in a sustainable way.

Deloitte.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities. DTTL (also referred to as “Deloitte Global”) and each of its member firms are legally separate and independent entities. DTTL does not provide services to clients. Please see www.deloitte.nl/about to learn more.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our network of member firms in more than 150 countries serves four out of five Fortune Global 500® companies. Learn how Deloitte’s approximately 264,000 people make an impact that matters at www.deloitte.nl.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the “Deloitte network”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.