



Webinar Insights:
Conduct Indicators
for Fair Customer Outcomes

6 October 2021

Deloitte hosts FSCA at Market Conduct Webinar

Deloitte hosted Kershia Singh from the Financial Sector Conduct Authority (FSCA) and Nicola Vincent from Deloitte United Kingdom, on 6 October 2021, to discuss Market Conduct Monitoring, Oversight and Outcomes Testing.

As the Market Conduct regulation, Regulator and organisational compliance programmes all mature, the focus is shifting to running a Market Conduct compliance programme. Central to running such programmes will be the insights gained from the monitoring, oversight and outcomes testing activities.



Dean Chivers

Director

Regulatory | Risk Advisory
Deloitte Africa



Nicola Vincent

Director

Risk Advisory | Deloitte UK formerly with
the UK FCA



Kershia Singh

Head of Department

Market, Customer & Inclusion Research
FSCA

Summary of Insights

Regulator expectations

- The Regulator expects organisations to be monitoring the outcomes its customers are receiving.
- The Regulators will in the short term, require organisations to report on their outcomes testing.

Business imperative

- Most organisations have zero tolerance for non-compliance with regulation, so market conduct compliance will be a key risk management focus.
- Organisations which are customer centric, will begin to see the value in outcomes testing.

Not about rules

- Conduct compliance monitoring and testing will be principles based, and will differ per organisation.
- Each organisation will need to take a risk based approach – considering its own products, customers, geographies and business processes and channels.

Its not easy

- Effective conduct monitoring and testing is not easy – and it will require constant assessment and refreshing.
- Start implementing sooner rather than later, as it will be data intensive and complex.

Feedback from the Regulator

Kershia Singh provided an update on the FSCA's expectations of regulated firms in the identification, creation and assessment of conduct indicators. She reiterated the stance that Market Conduct compliance is achieved by the application of principles and the production of fair outcomes. The practical requirements for this compels organisations to have the right data that reflects a Market Conduct narrative. The right data allows the right indicators to be assessed and enables the ability to demonstrate 'fair outcomes' for customers.

Insights from the FSCA/CGAP pilot project were shared. The project aimed to inform an approach that regulators could take in guiding firms on the creation of suitable indicators. The bulk of the indicators highlighted through the project will be incorporated in the FSCA's Omni-CBR, which firms can expect to be issued in December 2021.

The last critical reflection from her address was the importance of meaningful customer narratives derivable from data. Firms need to be in a position where their data reflects a customer narrative. This purpose will drive the types of information requests firms can expect from the Regulator in the performance of their market conduct supervision mandate.

"For both regulators and firms, a key priority is making sure that we stick to the end-goal, which is making sure customers get the right outcomes."

Kershia Singh

Market Conduct compliance is achieved by, firstly, the application of principles and secondly, the ability to evidence fair outcomes.

Key takeaway 1: The complexities of monitoring, oversight & outcomes testing

- ✓ **Outcomes Testing** will be undertaken by the FSCA, however the approach has not yet been finalised.
- ✓ **Monitoring, Oversight & Outcomes Testing** is more than just the traditional manner through which organisations undertake quality control. These measures combine to create a means of measuring whether organisational policies and processes are resulting in fair customer outcomes.

If done correctly, these tools have the ability to transform the sometimes lagging indicators of Market Conduct failings and shortfalls into leading indicators. Shortfalls in organisational policies and procedures that have the ability to cause poor customer outcomes can be detected early in the process and before any complaint spikes or trends begin to occur. This can mitigate the sometimes costly and damaging organisational impact these outcomes can have.

Where outcomes testing takes place and the findings are poor, organisations can proactively take corrective actions.

“Outcomes testing has been embedded by UK firms as a means of improving their relationships with customers.”

Nicola Vincent

Key takeaway 2: Consider the entire customer journey

The customer journey is the foundation to designing a Market Conduct programme. Every touchpoint between the organisation and its customer is a source of potential Market Conduct risk. Understanding your organisation's risk at each touchpoint allows one to decide on the indicators to monitor, per touchpoint. Understanding the indicators allows the mapping of data requirements.

<p>Sales and Underwriting</p>	<p>Customer Service</p>
<p>Product is sold via intermediary (advised) or on an execution only basis (non-advised). Affordability is assessed and a decision to lend is made based on customer's circumstances.</p>	<p>Account enters the servicing operational teams who deal with queries, contract variations and account closures.</p>
<p>Collections and Recoveries</p>	<p>Complaints</p>
<p>Customer in financial difficulty and unable to meet repayment obligations. Contract strategies initiated to assess circumstances and agree forbearance. If not agreed the account is transferred to recoveries.</p>	<p>Customer is dissatisfied with the level of service received and wishes to record a formal complaint.</p>

“With outcomes testing you are reviewing the entire relationship with the customer and you are then using that to provide a full view on the customer journey, and highlight any weak areas.”

Nicola Vincent

Key takeaway 3: Positioning Market Conduct in the organisation

Outcome testing fits within the overall **Risk Management Framework** in the organisation and is conducted by the first line. It is here that an organisation is able to identify and risk rank the Market Conduct touchpoints.

Second line will conduct oversight of first line outcome testing to ensure that it is meeting the expected standards and delivering the right levels of outcomes and is suitably challenging.

As the third line, Internal Audit will conduct independent assurance on the effectiveness of the Risk Management framework and controls in place. They may use Outcomes Testing as a tool to support assurance work.

Outcome testing can take many forms, including end-to-end assessments, period restricted reviews, process specific reviews or thematic. It can also incorporate a number of methodologies, from surveys, to mystery shopping, to data analytics. The ideal construct and mix will depend on your organisation's services, products, geographies, customers and processes.



Conclusion

The monitoring, oversight and outcomes testing of Market Conduct risk will become a significant topic for financial institutions. Designing and implementing a monitoring, oversight and outcomes testing programme is important for a number of reasons, examples of which are regulatory compliance, risk management and customer centricity.

Deloitte advises and supports a large number of financial institutions in the Market Conduct space, both locally and globally. We have developed significant assets and collateral to support the journey of establishing and running a Market Conduct risk programme.

Please reach out to us should you have any further feedback on the webinar or any suggestions for future webinar topics.

Should you require any support with your Market Conduct programme, please contact us – we would be very happy to have a complimentary session with you to help shape the next steps in your Market Conduct journey.

“Any market conduct compliance programme has two primary components: firstly, understanding what your conduct risks are, and how they can impact on fair outcomes, and secondly, optimal utilisation of the vast client data volumes which organisations typically possess in respect of their customers. Because demonstrating compliance in the Market Conduct space is highly operational, the optimal use of data is key to a successfully implemented compliance programme.”

Dean Chivers

Contacts

Please get in touch should you wish to discuss anything from the webinar or Market Conduct within your organisation.



Dean Chivers

Director

Regulatory | Risk Advisory
Deloitte Africa
dechivers@deloitte.co.za
081 825 9977



Nicola Kingwill

Associate Director

Forensic and Regulatory | Risk Advisory
Deloitte Africa
nkingwill@deloitte.co.za
083 656 1325



Nompumelelo Dube

Senior Manager

Forensic and Regulatory | Risk Advisory
Deloitte Africa
ndube@deloitte.co.za
071 303 5092



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