

Culture and a commitment to the right working environment

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Firms' culture & governance

- The FCA defines culture as:
 - **'the habitual behaviours and mind-sets that characterise an organisation'**
- Firms' culture and governance is a continuing cross-sector priority
- The introduction and extension of the **Senior Managers & Certification Regime (SM&CR)** and **the Conduct Rules** is a significant intervention to influence culture and conduct in firms

Moving insurers to the new regime

The SM&CR will apply from **10 December 2018**

Solvency II & large NDFs

- We will not automatically convert Approved Persons to SMFs
- Firms must submit:
 - Form K for all applicable SMFs
 - Statements of Responsibilities for all applicable SMFs
 - A Responsibilities Map

Moving insurers to the new regime

The SM&CR will apply from **10 December 2018**

Small NDFs, small run-offs and ISPVs

- We will automatically convert Approved Persons to applicable SMFs
- Senior Managers must have SoRs for from start of SM&CR

Moving to the new regime

By 10 December 2018:

Identify all Senior Managers and
Certification Staff

Train Senior Managers & Certification
Staff in Conduct Rules

By 10 December 2019:

Conduct F&P assessments for
Certification Staff

Train all other staff in Conduct rules

Conduct Rules

Act with integrity

Act with due care, skill and diligence

Be open and cooperative with the FCA, PRA and other regulators

Pay due regard to the interests of customers and treat them fairly

Observe proper standards of market conduct

4 additional rules apply to Senior Managers



The Conduct Rules apply to almost all staff in the same way to every tier

Aim of the SM&CR

To **reduce harm to consumers** and **strengthen market integrity** by creating a system that enables firms and regulators to hold people to account.

As part of this, the SM&CR aims to:

- encourage staff to take personal responsibility for their actions
- improve conduct at all levels
- make sure firms and staff clearly understand and can show who does what

Engaging financial services community in debate

DISCUSSION PAPER



28 Essays from thought leading academics, industry leaders, international regulators, and change practitioners

4
Themes

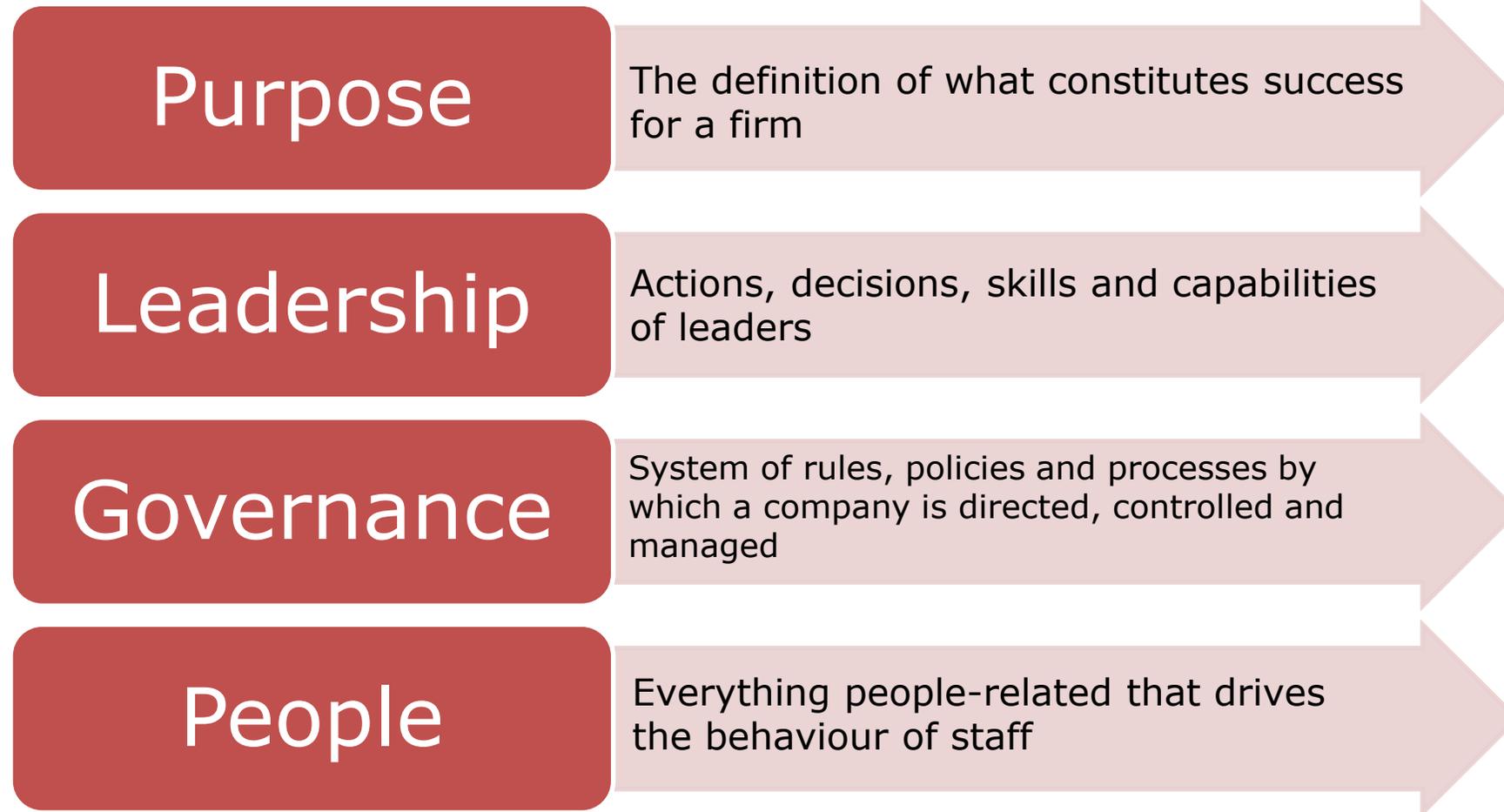
- Is there a 'right' culture?
- Managing culture: the role of regulation
- The role of reward, capabilities and environment in driving behaviours
- Leading cultural change

TRANSFORMING CULTURE CONFERENCE



1 day conference with **~180** cross-sector FS leaders and culture experts on 19 March 2018

Drivers of behaviour



Thought leadership

➤ What's next?

Four key themes emerged from our dialogue over the last year and the conference discussions:

Psychological safety over fear

- What role does psychological safety play in promoting healthy and inclusive cultures?
- How can this be promoted most effectively?

Leadership and management capabilities

- What is needed to support leaders, including middle management, to cultivate healthy cultures?
- How can these skills be better recognised as a management discipline?

Firms' assessment of culture

- What does effective assessment or measurement of cultural indicators look like within firms?
- How should measurement be used?

Remuneration and incentives

- What implicit behaviours are being driven by bonus cultures?
- Are there better approaches to compensation?
- What non-financial incentives can be used to motivate performance?

We intend to continue our engagement with the FS community, and will be convening thought leaders to explore these themes and questions