



Duff & Phelps, The Shard, London; November 5th, 2019

Welcome to

THE
TRANSPARENCY
SYMPOSIUM

on

**“How can we accelerate the rebuilding
of trustworthiness and confidence in
Financial Services?”**

Mark Turner

Managing Director

Compliance & Regulatory Consulting Practice

Duff & Phelps

DUFF & PHELPS

Protect, Restore and Maximize Value

Welcome to

THE
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SYMPOSIUM

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**“How can we accelerate the rebuilding
of trustworthiness and confidence in
Financial Services?”**

Andy Agathangelou
Founder
Transparency Task Force

THE
TRANSPARENCY
TASK FORCE

Before we go any further...

Let's please show our appreciation to today's host and sponsors:

DUFF & PHELPS

Protect, Restore and Maximize Value



Martin Rich,
Co-founder & Executive Director
Future-Fit Foundation



Future-Fit
Business Benchmark

Rebuilding trust in financial services

Experiences from developing the Future-Fit methodology

5 November 2019

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Future-Fit Foundation creates free tools to help companies and investors respond to today's biggest challenges in ways that create long-term value for themselves and society as a whole.

What is future-fitness?

A **Future-Fit[®]** Society will protect the possibility that humans and other life can flourish on Earth forever.

Environmentally restorative

Socially just

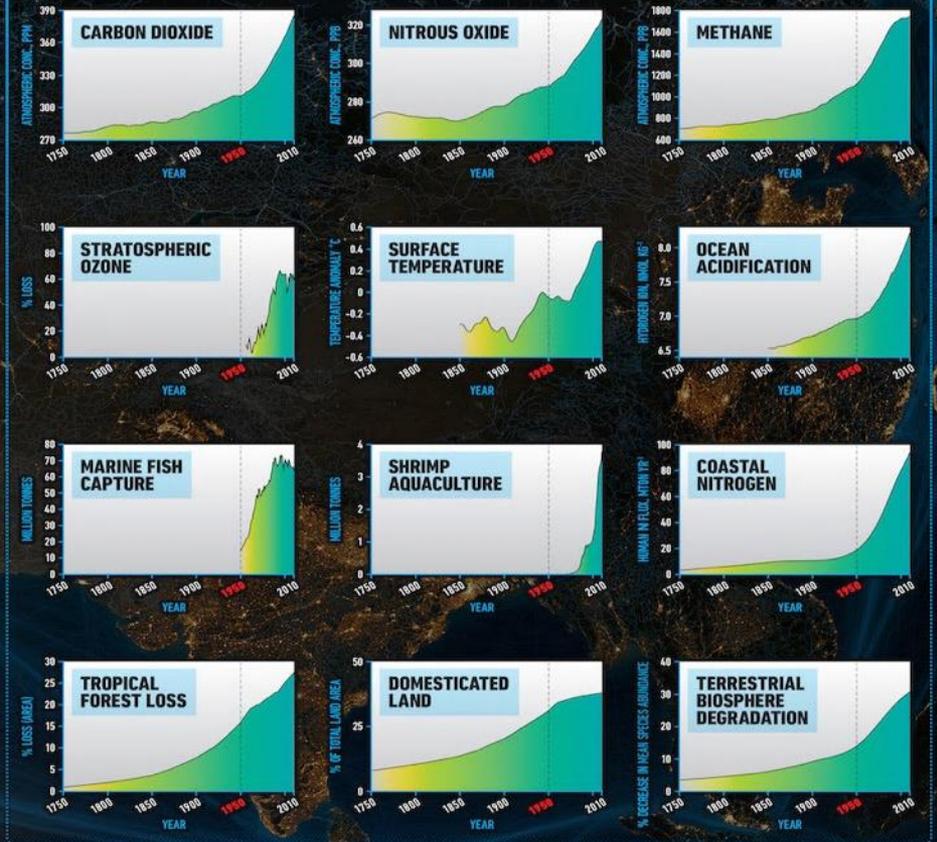
Economically inclusive

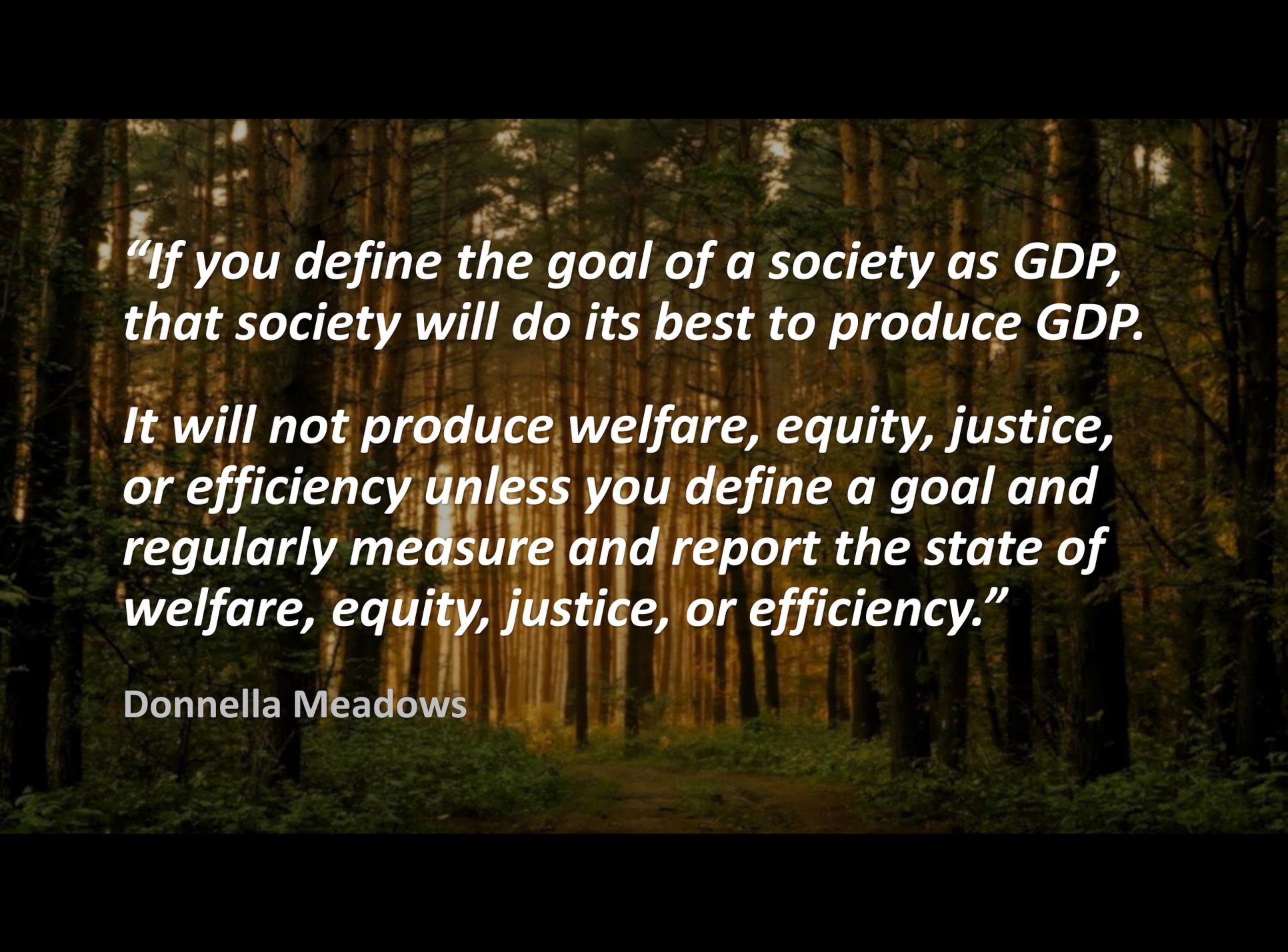
Where we are today

SOCIO-ECONOMIC TRENDS



EARTH SYSTEM TRENDS



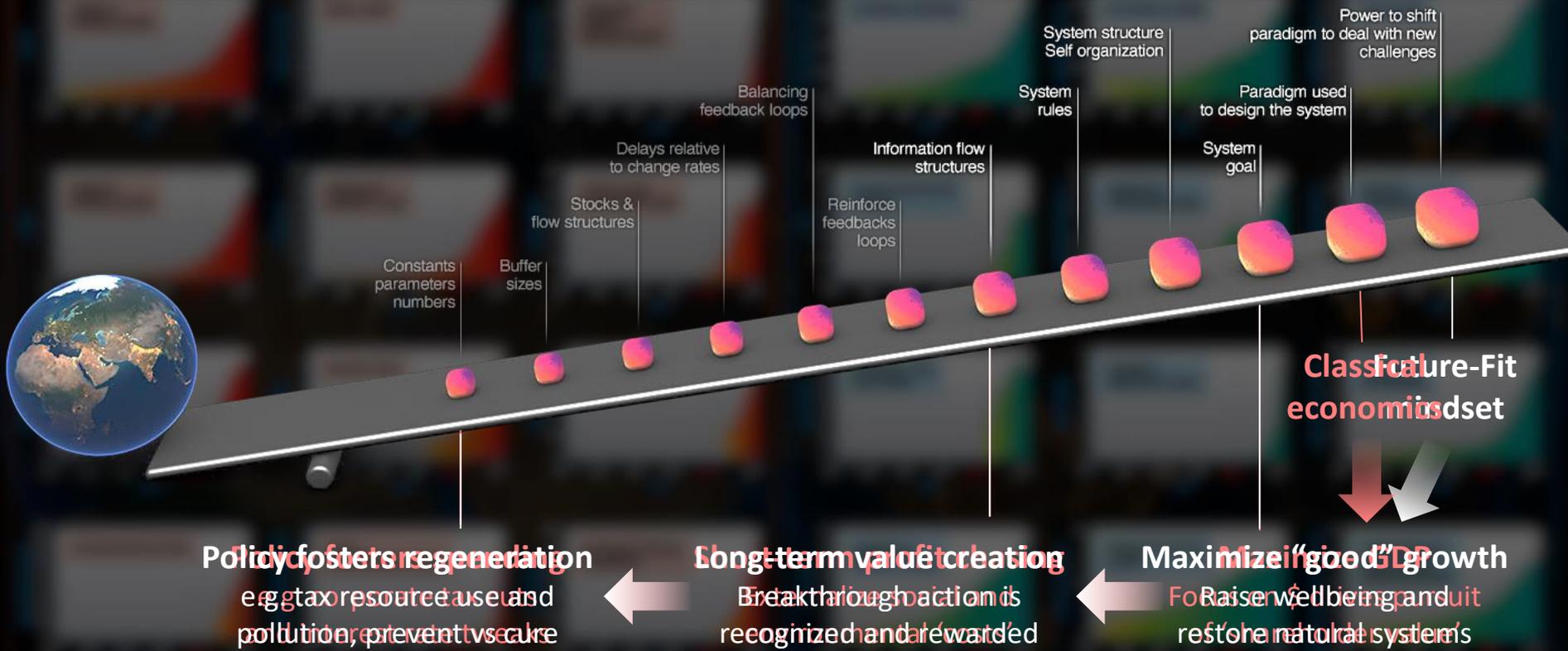


***“If you define the goal of a society as GDP,
that society will do its best to produce GDP.***

***It will not produce welfare, equity, justice,
or efficiency unless you define a goal and
regularly measure and report the state of
welfare, equity, justice, or efficiency.”***

Donnella Meadows

This is a system problem



1 NO POVERTY



2 ZERO HUNGER



3 GOOD HEALTH AND WELL-BEING



4 QUALITY EDUCATION



5 GENDER EQUALITY



6 CLEAN WATER AND SANITATION



7 AFFORDABLE AND CLEAN ENERGY



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



10 REDUCED INEQUALITIES



11 SUSTAINABLE CITIES AND COMMUNITIES



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



14 LIFE BELOW WATER



15 LIFE ON LAND



16 PEACE, JUSTICE AND STRONG INSTITUTIONS

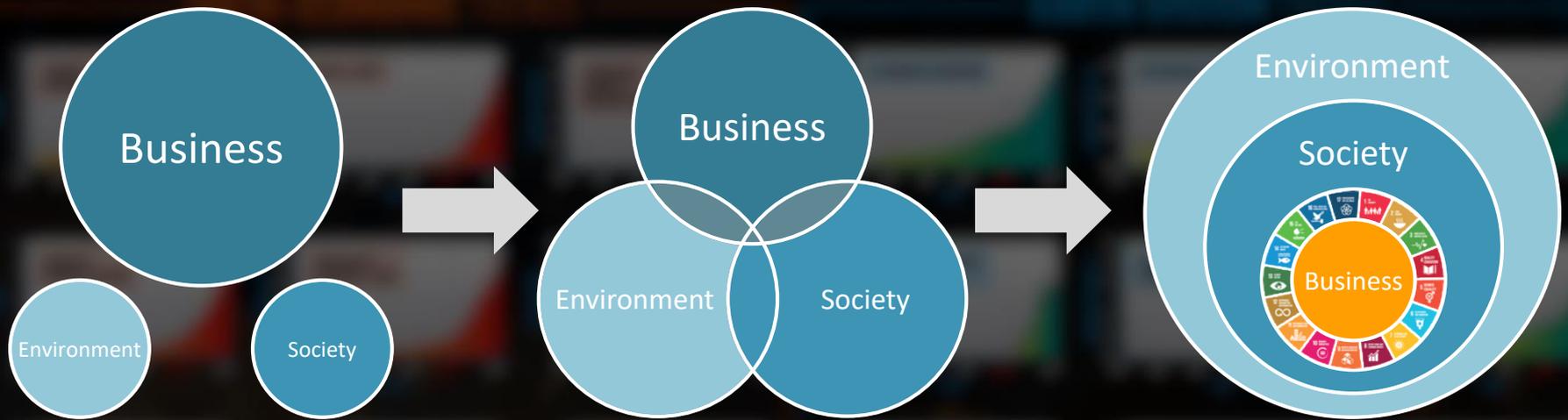


17 PARTNERSHIPS FOR THE GOALS



SUSTAINABLE DEVELOPMENT GOALS

Real SDG progress requires us to rethink “value creation”



Shareholder Value

“We’re already contributing to the SDGs because we create jobs, we’re reducing year-on-year emissions, etc.”

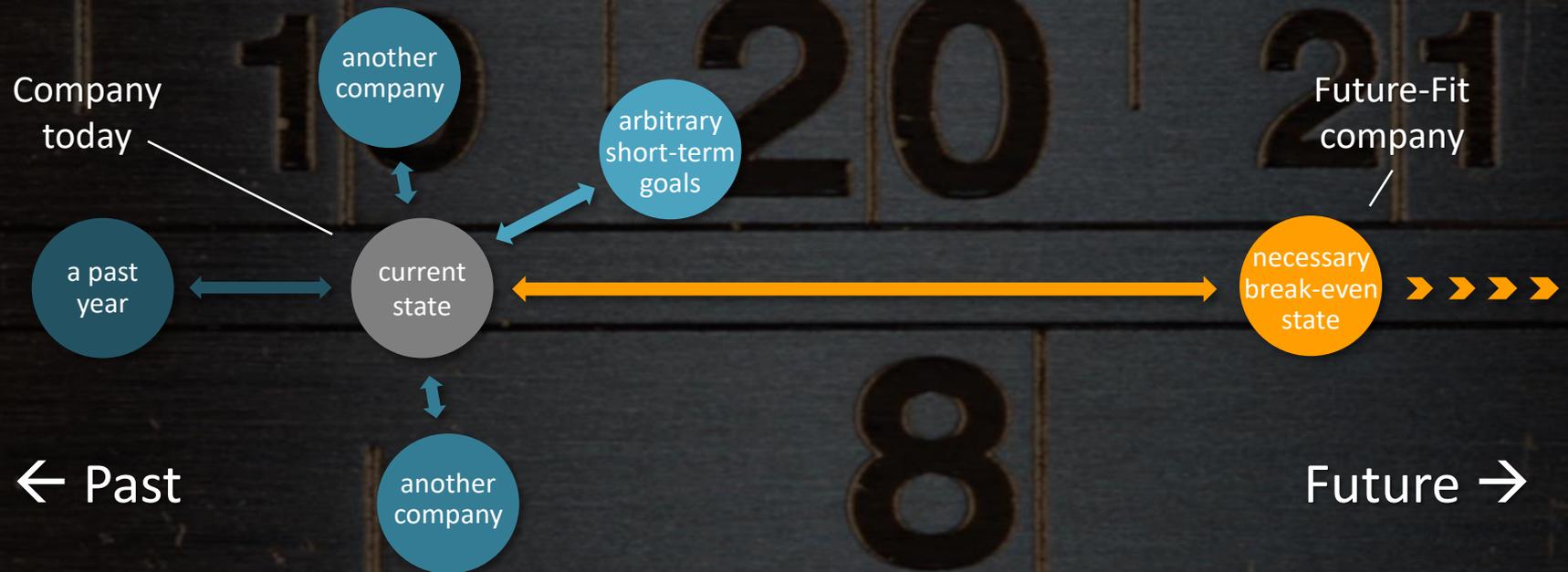
Shared Value

“We’re positively impacting SDG 3 because we sell drugs / SDG 12 because we sell consumer goods / etc.”

System Value

“We’re transforming our business to solve a key SDG challenge, while working to ensure we’re not slowing down progress elsewhere.”

We need a new way to guide and reward true progress



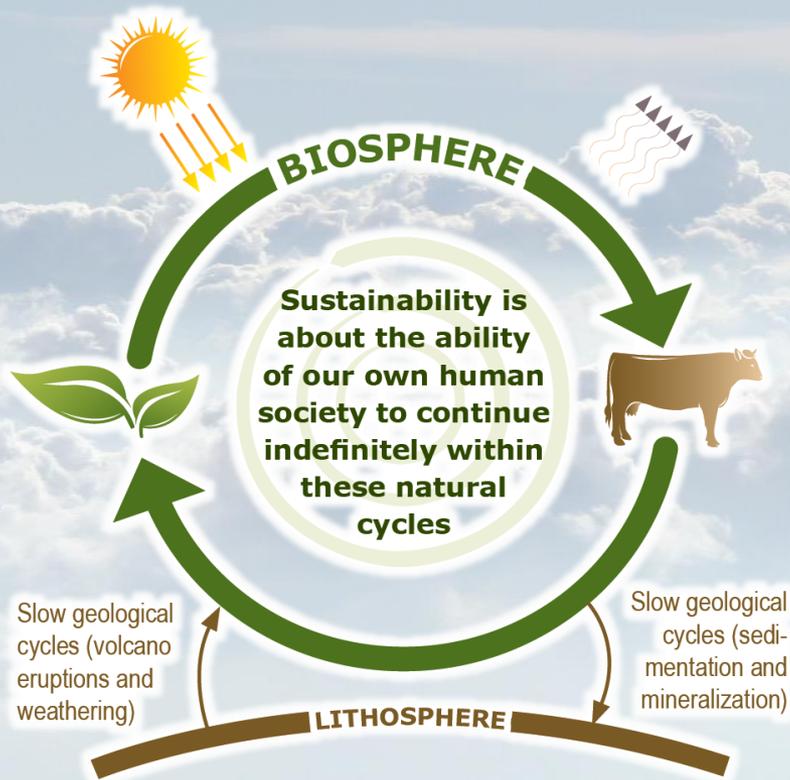
Assessing company performance relative to a past year doesn't tell us where it is going

A focus on best practice by sector (e.g. current ratings) only drives a race to be 'least bad'

Progress toward short-term goals matters only if they contribute to the right long-term aims

For the full story we must assess progress toward and beyond an **extra-financial break-even point**

The starting point: Earth as a system



References relating to the
FRAMEWORK FOR STRATEGIC SUSTAINABLE DEVELOPMENT (FSSD)
 a.k.a. 'Backcasting from Sustainability Principles' or 'The Natural Step Framework'

Update March 2013
 Anthony W. Thompson – Blekinge Institute of Technology
anthony.thompson@bth.se

Previously updated:
 Update May 22nd, 2011
 Anna Cogo – The Natural Step Italy
anna.cogo@thenaturalstep.org

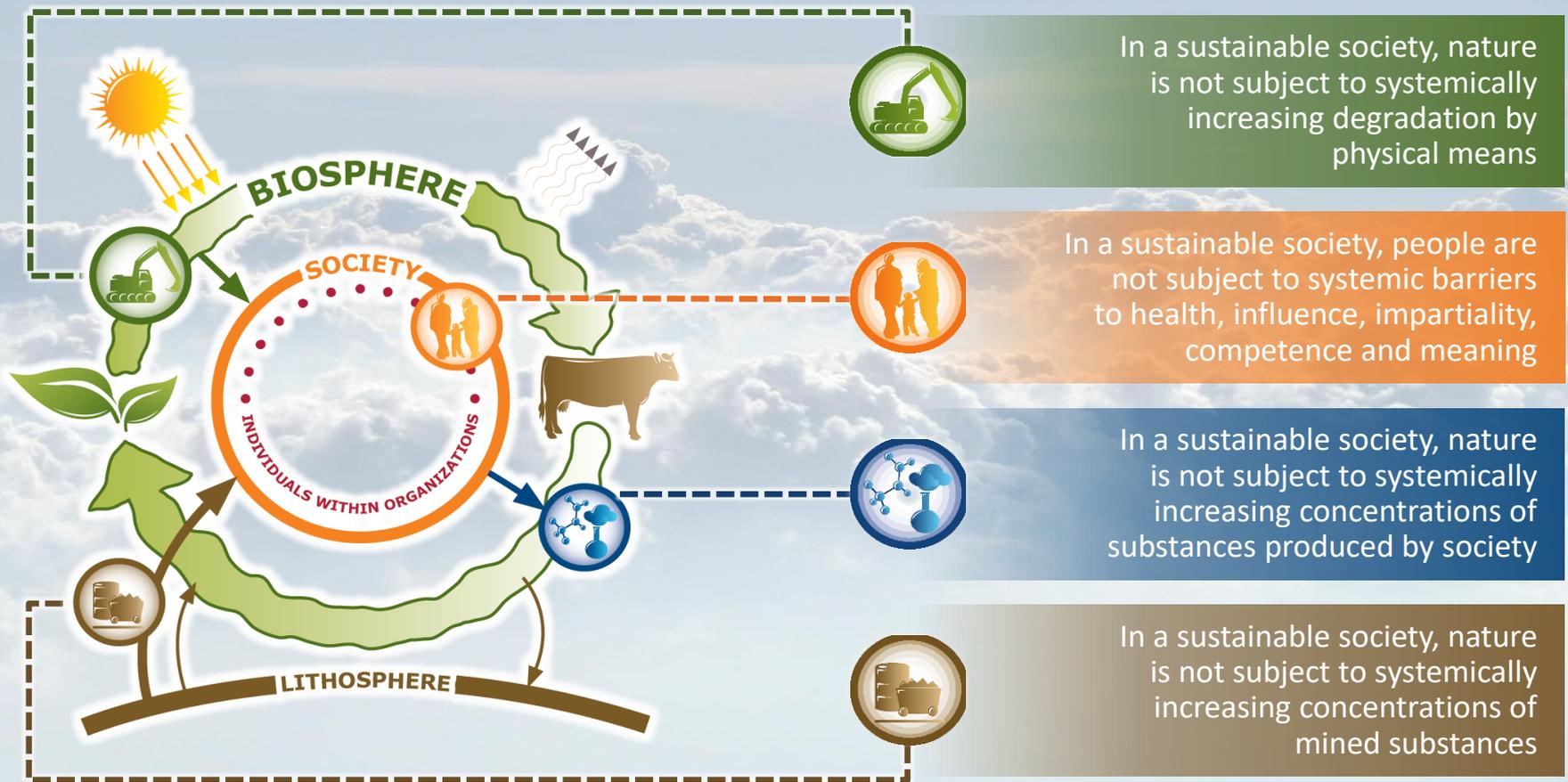
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MSLS = Master's in Strategic Leadership towards Sustainability
 MSPi = Master's in Sustainable Product-Service System Innovation

1

The starting point: Earth as a system



What would a Future-Fit Society look like?

Environmentally restorative, socially just, economically inclusive...

People have the capacity and opportunity to lead *fulfilling lives*

Our *physical presence* protects the health of ecosystems and communities

Natural resources are managed to safeguard communities, animals and ecosystems

The environment is free from *pollution*

Energy is renewable and available to all

Water is responsibly sourced and available to all

Waste does not exist

Social norms, global governance and economic growth **drive** the pursuit of future-fitness

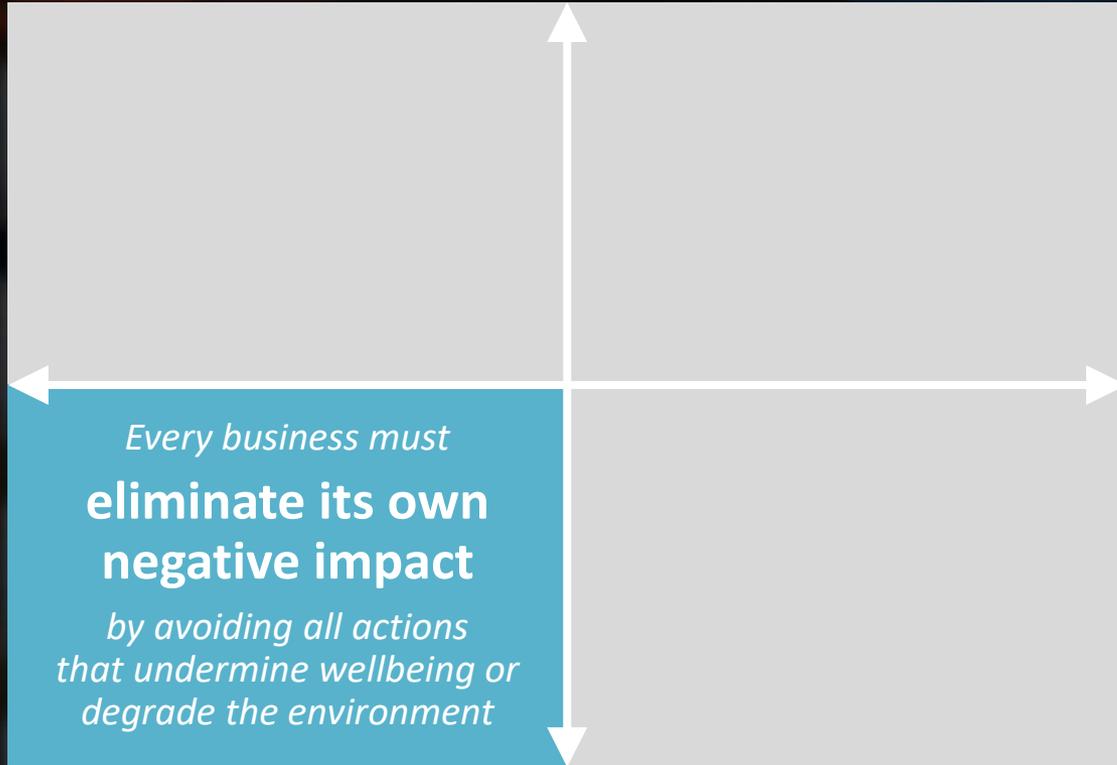
Positive impact

**Direct
business
impact**

**Indirect
business
impact**

*Every business must
**eliminate its own
negative impact**
by avoiding all actions
that undermine wellbeing or
degrade the environment*

Negative impact





Break-Even Goals

What every company
must strive to do
to *avoid slowing down*
society's progress
toward future-fitness

Energy	Energy is from renewable sources
Water	Water use is environmentally responsible and socially equitable
Natural Resources	Natural resources are managed to respect the welfare of ecosystems, people and animals
Pollution	Operational emissions do not harm people or the environment
	Operations emit no greenhouse gases
	Products emit no greenhouse gases
Presence	Products do not harm people or the environment
	Operations do not encroach on ecosystems or communities
Waste	Operational waste is eliminated
	Products can be repurposed
People	Community health is safeguarded
	Employee health is safeguarded
	Employees are paid at least a living wage
	Employees are subject to fair employment terms
	Employees are not subject to discrimination
	Employee concerns are actively solicited, impartially judged and transparently addressed
	Product communications are honest, ethical, and promote responsible use
Product concerns are actively solicited, impartially judged and transparently addressed	
Drivers	Procurement safeguards the pursuit of future-fitness
	Financial assets safeguard the pursuit of future-fitness
	Lobbying and corporate influence safeguard the pursuit of future-fitness
	The right tax is paid in the right place at the right time
	Business is conducted ethically

Positive impact

Any business may
create positive impact itself
by taking action to foster wellbeing or restore the environment

Any business may
amplify the positive impact of others
by helping them take action to foster wellbeing or restore the environment

Every business must
eliminate its own negative impact
by avoiding all actions that undermine wellbeing or degrade the environment

Any business may
reduce the negative impact of others
by helping them avoid actions that undermine wellbeing or degrade the environment

Direct business impact

Indirect business impact

Negative impact

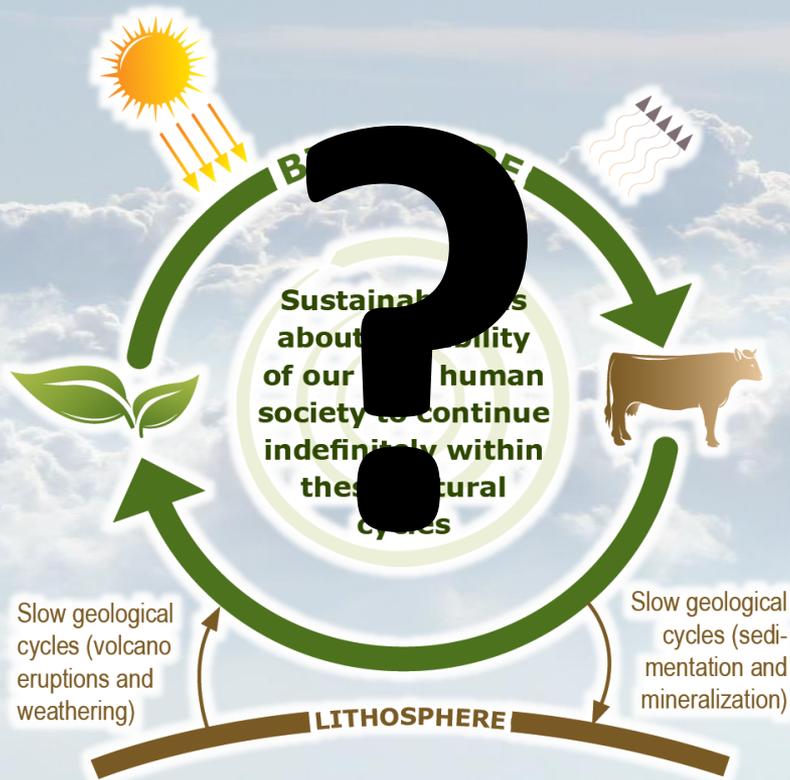


Positive Pursuits

What any company
may choose to do
to help speed up
society's progress
 toward future-fitness

Energy	Others depend less on non-renewable energy
	More people have access to energy
Water	Others contribute less to water stress
	More people have access to clean water
Natural Resources	Others depend less on inadequately-managed natural resources
Pollution	Others generate fewer greenhouse gas emissions
	Greenhouse gases are removed from the atmosphere
	Others generate fewer harmful emissions
	Harmful emissions are removed from the environment
Presence	Others cause less ecosystem degradation
	Ecosystems are restored
	Others cause less damage to areas of high social or cultural value
	Areas of high social or cultural value are restored
Waste	Others generate less waste
	Waste is reclaimed and repurposed
People	More people are healthy and safe from harm
	People's capabilities are strengthened
	More people have access to economic opportunity
	Individual freedoms are upheld for more people
Drivers	Social cohesion is strengthened
	Governance is strengthened in pursuit of future-fitness
	Infrastructure is strengthened in pursuit of future-fitness
	Market mechanisms are strengthened in pursuit of future-fitness
	Social norms increasingly support the pursuit of future-fitness

Is there a set of system principles for trust?



1. Describe the desired end state
2. Identify the system principles that define that state
3. Derive the actions that drive you toward that end state



Future-Fit
Business Benchmark

Thank you!

Martin Rich, Future-Fit Foundation
martin@futurefitbusiness.org

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Future-Fit Foundation creates free tools to help companies and investors respond to today's biggest challenges in ways that create long-term value for themselves and society as a whole.

About **THE TRANSPARENCY TASK FORCE** by numbers

- What do we have **1** of?
- What do we have **2** of?
- What do we have **19** of?
- What do we have **3** of?
- What do we have over **1,060** of?
- What do we have **155** of?
- What do we need **100,000** of?

About **THE TRANSPARENCY TASK FORCE** by numbers

- What do we have **1** of? ...full time member of staff
- What do we have **2** of? ...part time members of staff
- What do we have **19** of? ...topic-based Special Interest Groups
- What do we have **3** of? ...geographically-based SIGs
- What do we have over **1,060** of? ...members of our SIGs
- What do we have **155** of? ...Ambassadors
- What do we need **100,000** of? ...£ per year to operate



About THE TRANSPARENCY TASK FORCE

- We can be thought of as “an international *movement* of good people that want the financial services sector to be more **transparent, truthful and trustworthy**”
- We are the collaborative, campaigning community, **dedicated to driving up the levels of transparency in financial services**, right around the world
- We believe that higher levels of transparency are a pre-requisite for **fairer, safer, more stable and more efficient markets that will deliver better value for money** and better outcomes
- Furthermore, because of **the correlation between transparency, truthfulness and trustworthiness**, we expect our work will help to repair the reputational damage the sector has been suffering for decades

About ^{THE} TRANSPARENCY _{TASK FORCE} mission

- We are an **informal but increasingly influential forum** of ethically-minded people that care about the financial services sector and the people it serves
 - We are **collaborative, collegiate and consensus-building**; focusing on solutions not blame
 - We believe **the financial ecosystem is profoundly important to the wellbeing of society, the global economy and political stability**; but there's a great deal wrong with it that needs fixing
- **Our mission:** “To help fix financial services, so consumers get a better deal; and trust and confidence can be restored”



What is THE TRANSPARENCY TASK FORCE

working to reform?

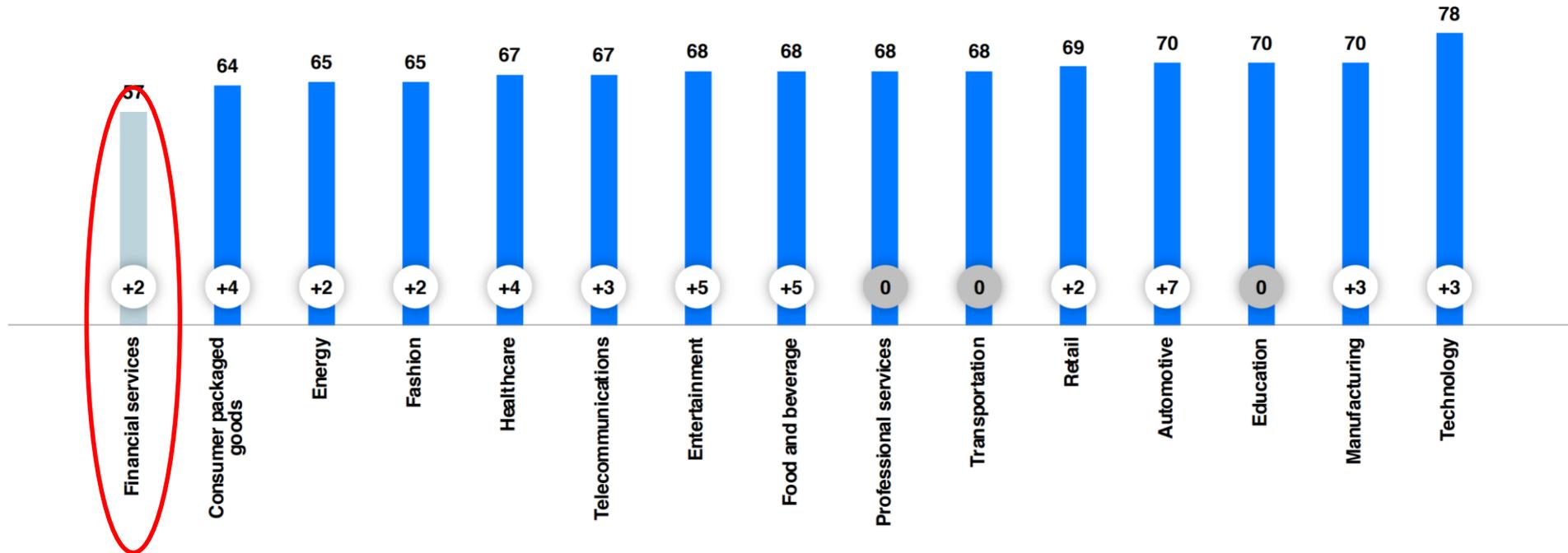
- Hidden and excessive costs
- Hidden and excessive risks
- Opportunistic opacity
- Opportunistic obfuscation
- Short-termism
- Insufficient client-centricity
- Scams and scandals
- Regulatory capture
- Irresponsible reward systems
- Malpractice, malfeasance, misconduct, miss-selling
- A 'profit before principles' mindset
- A 'money before morals' mindset
- Conflicts and misalignment of interest
- Excessive lending and gearing
- Disingenuous communications
- Financial instability
- Weak governance
- A lack of market integrity
- A lack of values-based leadership

THE TRUST DEFICIT

The 2019 Edelman Trust Barometer

Percent trust in each sector

■ Distrust ■ Neutral ■ Trust
● - 0 + ● Y-to-Y Change



2019 Edelman Trust Barometer. TRU_IND. Please indicate how much you trust businesses in each of the following industries to do what is right. Again, please use the same nine-point scale where one means that you "do not trust them at all" and nine means that you "trust them a great deal". 9-point scale; top 4 box, trust. Industries shown to half of the sample. General population, 26-market average.

"...at 57 percent trust among the general population, financial services remains the least-trusted sector..."

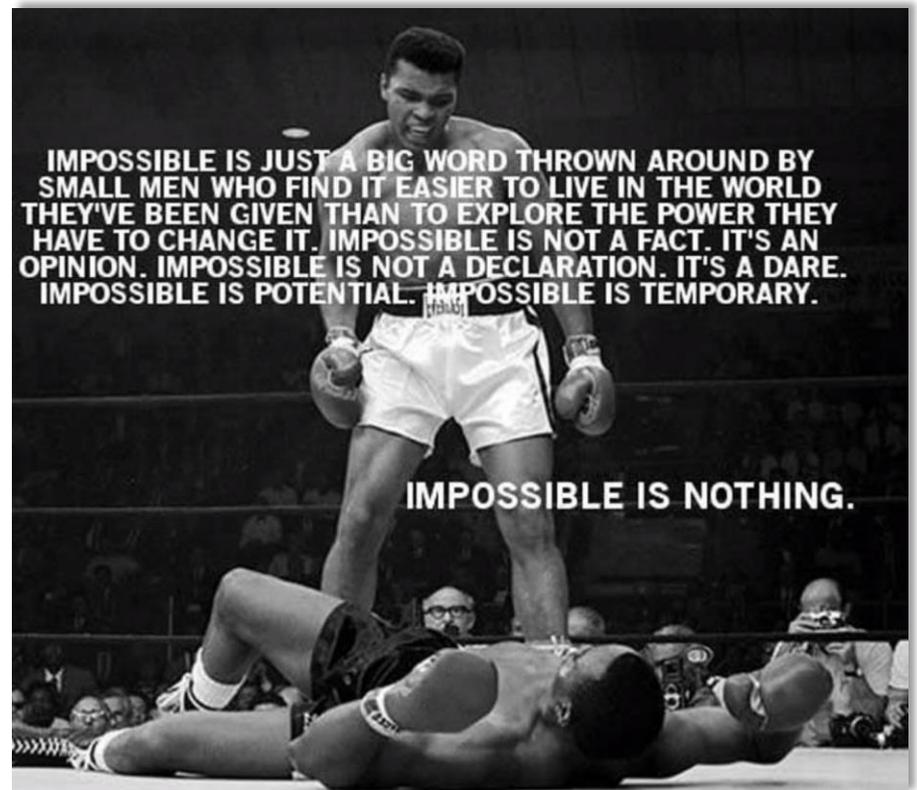
Why the FS trust deficit is so worrying...

- The financial services sector **has to be trusted to function successfully**
- The trust deficit is therefore a **serious and systemic issue**
- The continuous “drip, drip, drip” of misconduct means **we are becoming de-sensitized to** it and the reputational damage it causes
- We are at risk of accepting the FS trust deficit as “**business as usual**”
- If we tolerate what **we’ll start to expect untrustworthy conduct**
- **If we expect it, we are in effect condoning it;** perpetuating the problem
- The problem will not go away on its own; **we** should do **something**

➤ **What should we do?**

What's needed to fix the trust deficit?

- Essentially, we would need to do 4 things:
 1. Bring together the right **people**
 2. Collectively embrace “the art of the **possible**”
 3. Cultivate a very strong sense of **purpose** about the change that is needed
 4. Develop a **plan**



“Plan Beats No Plan”

Mark Carney, 30th June 2016 at the Court Room, The Bank of England



- In the absence of any other plan; our plan is better than nothing
- The more people we share the plan with:
 - The better the plan will become
 - The better our execution of the plan will be

How are we developing our plan?

- We are “crowd-sourcing” it
- We are meeting many stakeholders around the world
- Group meeting such as today and previous events...

Progressively-minded people want to help improve and execute the plan; they are authentically aligned with the mission

Boston 12th March 2019



New York 14th March 2019



Progressively-minded people want to help improve and execute the plan; they are authentically aligned with the mission

London 16th May 20109



Dublin 29th May 2019



Zurich 18th March 2019



Amsterdam 6th June 2019



Brussels 20th June 2019



Progressively-minded people want to help improve and execute the plan; they are authentically aligned with the mission

Washington DC September 10 2019



New York September 11 2019



Boston September 12 2019



Progressively-minded people want to help improve and execute the plan; they are authentically aligned with the mission

Hong Kong October 10 2019



Sydney October 15 2019



Melbourne October 17 2019



Singapore October 22 2019



How are we developing our plan?

- We are “crowd-sourcing” it
- We are meeting a wide range of stakeholders around the world
- Group meeting such as today and previous events
- **Plus some noteworthy individual meetings; such as...**

15th March 2019; meeting with Georg Kell

- A **very memorable** meeting; coffee and bagels in New York
- Founder of the **United Nations Global Compact** and a key driver behind the UN Global Compact's **Sustainable Development Goals**
- I explained the overall aims and objectives of the TTF; and our idea to bring ethically-minded people together to help tackle the trust deficit
- His response was **wonderfully supportive**
- The conversation inspired the creation of **The Finance Development Goals**



What's our plan, so far?

- #1 Evidencing that there is a problem that needs solving
- #2 Posing a question to initiate and facilitate discussion
- #3 Creating the Finance Development Goals
- #4 Recruiting Subject-Matter Experts
- #5 Recruiting the Scientific Committee
- #6 Advocating a “whole-system solution to a whole-system problem”
- #7 Implementing our Strategy for Driving Change
- #8 Reaching out to the 1,000 people that control the FS sector
- #9 Creating an international network network of TTF Chapters
- #10 Growing our Special Interest Groups
- #11 Growing our LinkedIn Group
- #12 Video-interviewing virtues-based leaders
- #13 Publishing “The book that is much more than just a book” annually

#1 Evidencing that there is a problem that needs solving

Evidencing that there is a problem that needs solving

- Huge thanks to [Newgate Communications](#) for superb input and support
- We produced a White Paper* together to evidence that there is a problem
- The White Paper is a meta-study of research about the Trust Deficit; its causes and consequence



* Download it here: <https://www.transparencytaskforce.org/rebuilding-trust-confidence-in-financial-services/>

#2 Posing a question to initiate and facilitate discussion, internationally...

“How can we accelerate the rebuilding of trustworthiness and confidence in financial services?”

- The question is very deliberately **future-orientated**; we must learn from the past but not live in it – this is not about apportioning blame
- The question is very deliberately **solution-orientated**; we avoid the temptation to just pose the question – we want answers
- The question is very deliberately **palatable to all stakeholders** such as politicians, policymakers, politicians, academics, regulators, thought-leaders, subject-matter experts, progressive market participants, trade bodies and professional associations and so on
- The question is a **gateway question** through which dialogue can move into the many underlying causes of the trust deficit

#3 Creating the Finance Development Goals

- **Let me know if you strongly identify with any of the Finance Development Goals**



LEADERSHIP

“The supreme quality for leadership is unquestionably integrity. Without it, no real success is possible, no matter whether it is on a section gang, a football field, in an army, or in an office.”

- Dwight D. Eisenhower

This FDG covers topics such as:

- Virtues-based and values-based leadership
- Why we must deal with the "leader's dilemma" problem, to unlock the potential for major transformational change
- Moral Quotient
- The insights of Adam Smith's work on moral sentiments
- The insights of Alexandre Havard on virtuous leadership



CREATE A CLIENT-CENTRIC CULTURE

“Ethics is knowing the difference between what you have a right to do and what is right to do.”

- Potter Stewart

This FDG covers topics such as:

- Ethics, Values, Professionalism, Fairness
- “Principle before profit” and “Morals before money”
- The need for a cultural transfusion
- The use of Moral Quotient
- Diversity and Gender
- Mandating for higher standards of conduct
- The effective use of oaths, codes of conduct, standards boards and pledges
- Trade Bodies and Professional Associations to realise their potential role as cultural architects
- Individual, Organisational and Market Integrity
- Encourage diversity of ownership structures such as Mutuels, Coops and FairShare
- Why it is so important that individuals think for themselves and don't "follow the herd" despite the potential career risk consequences of doing so
- Having metrics to measure, monitor and manage trust

HARNESS THE TRANSFORMATIONAL POWER OF TRANSPARENCY

*“Sunlight is the best of disinfectants; electric light the most efficient policeman”
- Justice Louis Brandeis*

This FDG covers topics such as:

- The need for transparency on costs & charges
- The need for transparency on any risks the client may be exposed to
- The need for transparency on performance metrics
- The need for transparency on the agenda and motivations of actors
- The development of a Global Transparency Index
- Why is transparency in and of itself necessary but not sufficient?
- What are the limitations and potential pitfalls of having too much of "the wrong type of transparency" and "unconstrained standardisation"?
- Decision-making being underpinned by relevant and reliable data
- Benchmarks and indices being free of bias and distortion
- Credit Rating Agencies being fit for purpose

HARNESS THE TRANSFORMATIONAL POWER OF TECHNOLOGY

“Computers are useless. They can only give you answers.”

- Pablo Picasso

This FDG covers topics such as:

- How “technology is a friend of transparency” and why it should be fully utilised
- Harnessing the inherent advantages and efficiencies provided by technology
- The enormous potential for Fintech, Blockchain, Smart Contracts, AI, greater Interoperability and evolutions thereof to radically improve the integrity of the system
- The scope for technology to reduce operating friction and the sector's higher-than necessary costs, thereby protecting consumers from excessive friction costs that worsen outcomes e.g. they corrode investment returns
- Making good use of technology to provide person-specific data; for example, through data dashboards dealing with pensions and investments contextualised with individual-specific planning goals
- The potential risks of over-reliance on technology and inadvertently absorbing systemic risks into the ecosystem; particularly through inadequate cyber security

GOVERNANCE

“Good governance is the art of putting wise thought into prudent action in a way that advances the well-being of those governed.”

- Diane Kalen-Sukra

This FDG covers topics such as:

- Compliance
- Regulatory reform
- Firm and consistent enforcement of the rules; with adverse publicity for rule-breakers, thereby creating an effective deterrent
- The vital role of effective accounting, auditing, financial reporting and credit rating
- Custodianship
- Stewardship of capital; such that the world's capital markets can operate as a force for good
- Encouraging greater inclusion and diversity
- Developing an “International Regulatory Master Plan”

GOOD PRODUCT DESIGN

“Good design is like a refrigerator—when it works, no one notices, but when it doesn’t, it sure stinks.”

- Irene Au

This FDG covers topics such as:

- Products to be engineered to a high standard
- Products to be fit for purpose
- Products to be free of fundamental flaws
- Product Accreditation
- Transparency Accreditation
- Providing value for money

AUTHENTIC COMMUNICATION

“The single biggest problem in communication is the illusion that it has taken place.”

- George Bernard Shaw

This FDG covers topics such as:

- Presenting data and information clearly and intelligibly
- Encouraging greater consumer engagement wherever possible
- Seek to minimise the amplification of adverse publicity through active PR and Reputation Management
- Asymmetries of information to be minimised
- Use of Simple Benefit Statements
- Asymmetries of information to be minimised
- Use of Simple Benefit Statements
- Communicating with integrity, credibility and authenticity

ACT WITH PURPOSEFULNESS

"When you are inspired by some great purpose, some extraordinary projects, all your thoughts break their bonds; your mind transcends limitations; your consciousness expands in every direction; and you find yourself in a great new and wonderful world. Dormant forces, faculties and talents become alive and you discover yourself to be a greater person by far than you ever dreamed yourself to be."

- Patanjali

This FDG covers topics such as:

- Impact Investing
- Sustainability
- Climate Change
- ESG
- Socially Responsible Investing
- Social Finance
- Social Stock Exchanges

RESPONSIBLE INCENTIVES

*“Show me the incentives and I’ll show you the outcome”
- Charlie Munger, Berkshire Hathaway*

This FDG covers topics such as:

- Responsible Reward
- Fully account for human nature and “what’s in it for me?” mindsets
- Manage out conflicts of interest where possible; fully disclose where not
- Alignment of Interests; dealing with the “Principal-Agent Problem.”
- Use fee and payment structures that align interests wherever possible
- Alignment of goals, returns and risks
- Adopt Fiduciary Duty, Duty of Care and Best Interests thinking

FINANCIAL STABILITY

“Remember when nurses, carers, teachers and students crashed the stock market, wiped out banks, took billions in bonuses and paid no tax? No, me neither.”

- Fuad Alakbarov

This FDG covers topics such as:

- Minimising the risk of systemic market failures that lead to severe shocks to the system

CONSUMER PROTECTION

“To not do what you can to protect someone, that's cowardly.”

- Jodi Lynn Anderson

This FDG covers topics such as:

- Minimise the risk of fraud and scams
- Properly support and care for those that have been scammed
- Be alert to policy failures that risk harming consumers - pension freedoms
- Financial Consumers' Bill of Rights
- Use litigation to provide redress and proactively drive changes in market practice
- Encourage and facilitate worry-free whistleblowing
- Safeguard data integrity; develop resilient and robust Cyber Security
- Get the administration right - strive for operational and administrative excellence
- Proactively seek to repair damage when it is done; problems will inevitably arise; and mistakes will inevitably happen
- The vital role that can be played by more and better financial education to boost financial literacy for consumers, mitigate the risks associated with asymmetries of information and help prevent miss-selling to the vulnerable

RISK MANAGEMENT

“Not taking risks one doesn't understand is often the best form of risk management”

- Raghuram G. Rajan

This FDG covers topics such as:

- The need for transparency on any risks the client may be exposed to
- The need for transparency on performance metrics
- The need for transparency on the agenda and motivations of actors

#4 Recruiting Subject-Matter Experts

Subject Matter Experts so far

First Name	Surname	Job Title	Organisation	FDG
Carol	Nolan Drake	President and CEO	Carlow Consulting	Governance
Chris	Tobe	Founder	Stable Value Consultants	Transparency
Darby	Hobbs	Founder	Conscious Capitalism	Purposefulness
Ian	McDonald	Founder	Integral Business Centre	Leadership
Jeff	Mamorsky	Co-Chairman	Greenberg Traurig	
Jon	Lukomnik	Founder	Sterling Capital	
Larry	Bates	Founder	The Wealth Game	Transparency
Laurence	Wormald	Investment Manager	Random Performance	Risk
Marcin	Zaba	Investor Relations Manager	SyndicateRoom	Communications
Mark	Turner	Managing Director	Duff & Phelps	Governance
Matthew	Priestley	Head of Investment Management Oversight	FundRock Partners	
Meredith	Gibson	Principal	Meredith Gibson Advisory	Communications
Nicholas	Morris	Adjunct Professor	University of New South Wales	Governance

Subject Matter Experts so far, continued

First Name	Surname	Job Title	Organisation	FDG
Paul	Moxey	Professor of Corporate Governance	London South Bank University	Governance
Paul	Bates	Founder	Bates Barristers	Consumer Protection
Peter	Schmid	Managing Partner	lamdix	
Piotr	Konwick	Senior Lecturer	University of Hertfordshire	
Rob	Lake	Founder	Authentic Investor	Purposefulness
Robert	Van Beek	Founder	About Life & Finance	
Ruth	Steinholtz	Managing Partner	AreteWork	Culture
Simon	Grover	Lead Writer	Quietroom	Communication
Sue	Lewis	Independent Board Member	Financial Services Consumer Consultant	Consumer Protection
Sue	Jaffer			
Sunil	Chadda	Managing Director	Cairn Consulting	Transparency
Tamar	Joulia-Paris	Managing Director	TJ Capital	

Subject Matter Experts so far, continued

First Name	Surname	Job Title	Organisation	FDG
Andrew	Mills	Director	Insight Financial Research	
Darby	Hobbs	Founder	Conscious Capitalism	Purposefulness
Graham	Boyd	CEO & Founder	Evolutesix	Purposefulness
Justin	O'Brien	Director	The Trust Project	
Susan	Cuff	Director	Cuff Associates	Culture
Robert	Dellner	Managing Director	I3 Partners	Risk Management
Dan	Brocklebank	Director, UK	Orbis Investments	Incentives
Sheri	Markose	Professor of Economics	Essex University	Financial Stability
Prabhu	Guptara	Executive Director	Relational Analytics	
John	Hewson	Professor	Crawford School of Public Policy	Governance
William	Jannace	Senior Counsel	Ross PLLC	
Rohanna	Wise	Founder & CEO	Wise Trading Technologies	

Subject Matter Experts so far, continued

First Name	Surname	Job Title	Organisation	FDG
Thom	Young	President	FARcapital	Incentives
Michael	Erlanger	Co-Founder	GoKnown	Technology
Shann	Turnbull	Principal	International Institute of Governance	Governance
Paolo	Sironi	Industry Academy	Watson Financial Services, IBM	Transparency
Guy	Spier	CEO	Aquamarine Capital	Incentives
Willi	Brammertz	Managing Director	Ariadne	Transparency
Allan	Mendelowitz		Actus Research Foundation	Transparency
Markus	Krebsz	Member	United Nations' Group of Experts on Risk Management in Regulatory Systems	Risk Management
Cliff	Southcombe	Managing Director	Social Enterprise International	Purposefulness
Rory	Ridley-Duff	Co-Founder	Fairshares Association	Purposefulness
Liz	Murphy	Steering Group Member	UK Values Alliance	Culture
Kara	Tan Bhala	President & Founder	Seven Pillars Institute for Global Ethics & Finance	Culture

Subject Matter Experts so far, continued

First Name	Surname	Job Title	Organisation	FDG
David M.	Rowe	President	David M. Rowe Risk Advisory	Risk Management
Stefan	Pagacik	Co-Founder	AI 4 Impact	Consumer Protection
Roger	Miles	Head of Faculty	Head of Conduct and Academy	
Pascal	Hogenboom	Associate Director	Strategia Worldwide	Leadership
Jeff	Mamorsky	Co-Chairman	Greenberg Traurig	Leadership
Nell	Minow	Vice Chair	ValueEdge Advisors	

- **Let me know if you strongly identify with any of the Finance Development Goals and want to be included as a SME**

#5 Recruiting the Scientific Committee

Scientific Committee so far

First Name	Surname	Job Title	Organisation	FDG
Professor Anna	Tilba	Associate Professor in Strategy & Governance	Durham University Business School	Financial Stability
Professor Andreas	Hoepner	Professor of Risk Management & Data Science	University College Dublin	Risk Management
Dr. Krzysztof	Grabowski	Lecturer in Corporate Governance	Kozminski University	Governance
Professor John	Wilson	Pro-Vice Chancellor	Newcastle University	
Laurence	Wormald	Investment Manager	Random Performance	
Martin	Rich	Co-Founder & Executive Director	Future Fit Foundation	
Dr. Nicholas	Morris	Adjunct Professor	University of New South Wales	
Professor Paul	Moxey	Professor of Corporate Governance	London South Bank University	
Professor David	Webber	Professor of Law	Boston University	
Dr. Shann	Turnbull	Principal	International Institute of Governance	Governance
Dr. Piotr	Konwicki	Senior Lecturer	University of Hertfordshire	
Professor Tamar	Joulia-Paris	Managing Director	TJ Capital	

Scientific Committee continued

First Name	Surname	Job Title	Organisation	FDG
Professor Sheri	Markose	Professor of Economics	Essex University	Financial Stability
Dr. Ashby	Monk	Executive and Research Director	Stanford Global Projects Center	Transparency
Professor Michael	Mainelli	Executive Chairman	Z/Yen Group	
Andrew	Mills	Director	Insight Financial Research	
Raphael	Douady	Specializing in Data Science, Financial Mathematics and Chaos Theory	University of Paris I-Panthéon-Sorbonne	
Professor Justin	O'Brien	Director	The Trust Project	
Graham	Boyd	CEO & Founder	Evolutesix	
Ian	Mcdonald	Founder	Integral Life Center	
Darby	Hobbs	Founder	Conscious Capitalism	

➤ **Let me know if you may want to included as a member of the Scientific Committee**

#6 Advocating a “whole-system solution to fix a whole-system problem”

- Dealing with **just the 12 individual “heads” of the problem won’t work**
- If we just “chopped off” individual heads they will just “grow back”



Advocating a “whole-system solution to fix a whole-system problem”

- Our approach needs to be **comprehensive, macro, big picture**
- The solution needs to be **systemic and systematic**
- If you can't relate to 12-headed monsters; think about a bucket of water with 12 holes in the bottom – you need to fix all the holes (**or you might run the risk of people demanding that the bucket be replaced with a new one; a whole new order**)
- Managing symptoms will never solve the problem; it might even be worse than doing nothing at all
- Recent TV interview: <https://www.cnbc.com/video/2019/10/23/transparency-and-truthfulness-are-commercial-virtues.html>



#7 Implementing our Strategy for Driving Change

THE **TRANSPARENCY** TASK FORCE **strategy for driving change**

- Our strategy for driving change is all about bringing together the thinking of two very important groups:
 - #1, those with a sense of **passion & purpose** about what needs to change, such as our Ambassadors and the members of our Special Interest Groups
 - #2, those with the **power & position** to make change happen; such as the politicians, policymakers, regulators, leaders of key trade bodies and professional associations, leaders of key commercial organisations etc.

We already do this in many ways including through our Special Events; here are three good examples of our Special Events:

- 12th September 2016 at the Houses of Parliament
(one of 3 special meetings I've led at the House of Commons)

'The First Transparency Strategy Summit in the World'

*'The primary purpose of the first Transparency Strategy Summit in the world is to begin to build consensus on the best way to **protect the interests of the UK's pensions-saving public** through full disclosure on all the costs and charges they are paying but not being told about.'*



13th Jan 2017

The Rt. Hon Frank Field MP
Chair, Work and Pensions Committee
House of Commons
London SW1 0AA

Dear Mr. Field,

We are writing to you as a group of independent individuals and organisations, motivated and united by the desire to help protect the interests of the UK's saving public, through the better provision of transparent, consistent and straightforward disclosure of all the costs and charges they pay.

The issues raised in this letter affect Defined Benefit and Defined Contribution pension schemes and cannot be dealt with fully under the scope of your existing Defined Benefit pensions inquiry.

It is vital that we have transparent, consistent and straightforward costs disclosure because opacity and obfuscation on pension and investment costs leads to:

- #1. Decision-makers, including consumers, being unable to exercise 'informed choice' properly: They find the market opaque, complex and confusing: It is difficult to identify value for money.
- #2. The risk of future litigation: Consumers may argue they are not being treated fairly. Such action would severely damage confidence in the sector and its intermediaries.
- #3. Seemingly impotent market forces: In this sector, the 'invisible hand' seems unable to work its 'magic' to create a healthy, competitive and efficient market.
- #4. Poor consumer outcomes: If costs are 2% p.a. and gross market returns 5% p.a., a 20-year-old saving £100 per month until 65 will lose 42.55 % of his/her pension fund to costs.
- #5. A marketplace where progressive, innovative and highly cost-effective offerings that do represent good value for money inexplicably struggle to get the market share they should.
- #6. The risk that the success of the Government's pensions policy is jeopardised: Those automatically enrolled might opt out if they are later disappointed by their net of costs returns.
- #7. The risk that should the 'high costs/low returns' reality continue to prevail, belief in the wisdom of deferred gratification and confidence in long term savings will be undermined.
- #8. Investment Governance Committees and Trustee Boards struggle with their duty to manage scheme's costs properly: 'You can't measure, monitor or manage what you cannot see.'
- #9. Bad publicity, falling trust and apathy: The public's confidence in pensions is falling sharply and we want to stop it falling 'below the point of no return': This is a serious and systemic risk.
- #10. The UK's savings market, including pensions, not being seen to be well-governed, transparent and trustworthy: That's a particularly important point in our post-Brexit world.

Furthermore, we believe that savers should not only know what their savings cost; they should also know where and how their money is invested. Greater transparency in investment holdings and the stewardship around those holdings is needed. On the basis that it is hard even for MPs to establish

where and how their own Parliamentary Contribution Pension Fund is being invested, it follows that the public as a whole may be similarly challenged.

In general terms, we believe that:

- This is an important and widespread public interest issue; it has parallels with the known shortcomings that are affecting the energy sector's opaque and complex regime of tariffs.
- Greater transparency on costs and investment holdings will help create the better-served, better-engaged and better-performing savings market we all want.
- There is merit in doing all we collectively can to help sustain the success of the Government's automatic enrolment pensions policy.
- In a post-Brexit world, we shouldn't underestimate the value to our economy of the potential for the UK becoming the world-leader in pensions and investing transparency.
- Your Committee is uniquely placed to lead an open enquiry that we are confident would be run in a constructive, forensic, inclusive, robust and non-partisan way, for the long-term benefit of all.
- There is excellent regulatory activity underway by DWP, FCA and TPR; your enquiry would support that work by 'pulling it all together', creating an even more cohesive approach.

To conclude: For reasons of social justice, market efficiency, good governance, national reputation and to help protect the ongoing success of the Government's pensions policy, we would like your Committee to open an inquiry into the matters set out in this open 'letter'.

I believe the Financial Times are publishing an article regarding this request online today and in their newspaper tomorrow.

If requested I would be happy to liaise with yourself and/or your Committee Clerk regarding this matter.

For administrative purposes (as it would not be practical to liaise with all the co-signatories) please reply to andy.apathangelou@transparencytaskforce.org

We look forward to hearing from you.

Yours sincerely,

All those listed below, who are equal co-signatories in this endeavour.

x 110 (99 in the UK+ 11 overseas)

.....which **may** have led to the opening of the Work & Pensions Select Committee's Enquiry on Pensions Costs Transparency

5th Sept 2018 at the Commons:



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Committees

- All committees A-Z
- Committees Select
- Work and Pensions Committee
- Inquiries
- Parliament 2017
- Pension costs and transparency

Publications

Work and Pensions Committee

Pension costs and transparency inquiry - publications

Inquiry status: open

Correspondence

Letter from the Chair to Anthony Rafferty, Managing Director, Grigo Services Ltd on the Pensions Dashboard, 3 September 2018 (PDF 132.4 KB) [PDF](#)

Published 04 September 2018

Oral evidence

05 Dec 2018 - Work and Pensions Committee - oral evidence | PDF version (237 KB) [PDF](#)

HC 1476 | Published 07 Dec 2018

Evidence given by Colin Meach, National Officer, UNISON, Jonathan Lipkin, Director of Policy, Strategy & Research, Investment Association; Yvonne Braun, Director of Policy, Long-Term Savings and Protection, Association of British Insurers; Nigel Peppas, Director of Policy, Pensions and Lifetime Savings Association

Watch this evidence session

05 Sep 2018 - Work and Pensions Committee - oral evidence | PDF version (242 KB) [PDF](#)

HC 1476 | Published 11 Sep 2018

Evidence given by Sir Chris Siler, Former Chair, FCA Institutional Disclosure Working Group, Andy Apathangelou, Founding Chair, Transparency Task Force, David Pitt-Watson, Visiting Fellow, Cambridge Judge Business School

Watch this evidence session

- 26th June 2017 at the Houses of Parliament

‘Launch of the TTF Banking Team’s White Paper on Current Accounts’

‘Sensible recommendations about the lack of transparency around charges for Free-If-In-Credit personal current accounts’



- 7th February 2018 at the Houses of Parliament

“Ideas to help reduce the chance of another Global Financial Crisis”

‘A special meeting at which we presented our White Paper on the topic and initiated the launch of a new All Party Parliamentary Group on Financial Stability’; the inaugural meeting is on 23rd May



#8 Reaching out to the 1,000 people that control the FS sector

“The 1,000 VIPs”

- We will reach out to the **1,000 most influential people in the world’s financial ecosystem**
- These individuals are **the “power and position” group**
- The process of outreach is happening already
- The more engagement we get the easier it will become to get more engagement
- **There will be a “tipping point dynamic”**

Suggestions for “The 1,000 VIPs”

- We want to list the 1,000 people that, in effect, govern the way the financial system works
- It is through that group that real change can happen
- Politicians?
- Policymakers?
- Regulators?
- Leaders of relevant Trade Bodies?
- Leaders of relevant Professional Associations
- Bankers; including leaders of the Central Banks
- International organisations such as the OECD, WEF, IMF, UN Global Compact
- Leaders of large and powerful commercial organisations
- Others...
- We will then seek to engage with them

➤ **Please let me have your suggestions for the 1,000 VIPs**

Comments?

Questions?

Ideas?

3 minute comfort break

#9 Creating an international network of TTF Chapters

The TTF Chapters Initiative: the basic idea

- To create an international network of TTF Chapters
- 8 Chapter Leaders in each Chapter, operating as 4 pairs
- Each pair responsible for 1 meeting a year. X 4 = 4 meetings p.a.
- + 1 meeting a year I run = 5 meetings a year
- Meetings at breakfast, lunch or early evening
- 2 hours; structured agenda to facilitate discussion and debate
- No presentations
- Marketing by TTF UK (+local help from the Chapter Leaders and Members)

The TTF Chapters Initiative: objectives

- To help to grow the TTF community
- To help engage with the local “power and position” people
- To help to identify the issues of most importance to their Chapter

The TTF Chapters Initiative: locations

- Amsterdam
- Brussels
- Luxembourg
- Paris
- Melbourne
- Canberra
- Sydney
- Brisbane
- Frankfurt
- Vienna
- Zurich
- Geneva
-
- Dublin
- Edinburgh
- Washington DC
- Philadelphia
- New York
- Boston
- Vancouver
- San Francisco
- Santa Monica
- Los Angeles
- Kentucky
- Chicago
- Toronto
- Montreal
- Tokyo
- Shanghai
- Hong Kong
- Singapore
- Johannesburg
- Pretoria
- Durban
- Cape Town

The TTF Chapters Initiative: the UK

- We have the potential to create TTF Chapters in
 - London West End
 - London City
 - Bristol
 - Birmingham
 - Manchester
 - Liverpool
 - Glasgow
 - Edinburgh
 - Newcastle
 - Leeds
 - Southampton
- Where else?

The TTF Chapters Initiative: next steps

- To create a flexible yet robust governance framework
 - “Like a franchise but without a profit motive; the motive is the cause; a cause which is both noble and necessary”
- **Let me know if you have an interest in the TTF Chapters initiative**

#10 Growing our Special Interest Groups

Growing our Special Interest Groups

- We are keen to video-interview senior leaders that are good example of how to run a financial services organisation in a transparent, truthful and trustworthy way
- They can be anywhere in the world
- **Let me know if you would like to nominate somebody; or yourself**



About THE TRANSPARENCY TASK FORCE

Special Interest Groups

- Asset Management
- Pensions Team
- Communications
- Financial Planning
- PISCES
- Fintech
- APAC
- Americas
- EMEA
- GTI
- Banking
- Market Integrity
- Costs & Charges
- Financial Stability
- Investment Consulting & Fiduciary Management
- Governance, Compliance, Risk, Legal & Regulatory
- Foreign Exchange
- Anti-Scams
- Hedge Funds
- Private Equity
- Whistleblowing

- ✓ **1060+** valiant volunteers
- ✓ Organised & mobilised into 22 Special Interest Groups
- ✓ Small groups of people working together
- ✓ Subject-matter experts 'that want to stand up, not stand by'
- ✓ Building consensus on how to solve known problems
- ✓ Not just 'a talking shop'
- ✓ One or more campaign objectives per Special Interest Group

➤ **For more information including a list of all our SIG members see:**

<https://www.transparencytaskforce.org/teams-of-volunteers/>

#11 Growing our LinkedIn Group

Growing our LinkedIn Group

- A great way to harness the power of social media
- Share information ideas, insights
- Call out bad practice; “sunlight is the best disinfectant”
- Recognise good practice and positive developments
- 100,000 members in 5 years ?
- <https://www.linkedin.com/groups/8299877/>

➤ **Please join and actively participate**

#12 Video-interviewing virtues-based leaders

Video-interviewing virtues-based leaders

- We are keen to video-interview senior leaders that are good example of how to run a financial services organisation in a transparent, truthful and trustworthy way
 - They can be anywhere in the world
- **Let me know if you would like to nominate somebody; or yourself**

Refreshments & Networking

We restart at 11:35

DUFF & PHELPS

Protect, Restore and Maximize Value



Future-Fit
Foundation

#13 “The book that is much more than just a book”

Title:

*“Rebuilding Trustworthiness and Confidence in Financial Services
...why we must; and how we can ”*

- A new edition each year
- Edition #1; May 6th 2020 (coinciding with our 5year birthday event)

Chapter 1: Introduction and Executive summary

Chapter 2: The 1,000 VIPs

- We will refer to the **1,000 most influential people in the world's financial ecosystem**; they will be listed in the Appendix
- These individuals are **the “power and position” group** for whom the book has been especially written; they will be told that
- The book is a **clarion call for engagement** to that group; we will be reaching out to each one
- The process of outreach is happening already and it is working
- The more engagement we get the easier it will become to get more engagement
- **There will be a “tipping point dynamic”**

Chapter 3 - The Problem Statement

The Problem Statement will give an Evidence-Based account of:

- What the Trust Deficit is
- Why it is like “a festering sore on the face of financial services” that desperately needs treating
- Its causes and consequences

Virtually 80% of Chapter 3 has already been written; we will be repurposing the White Paper written with Newgate Communications



Chapter 4 - The Vision Statement

The Vision Statement is where we

- **“Dare to dream”** of having a transparent, truthful and trustworthy financial services sector
- **Articulate a deliberately utopian view** that will help us envision what it will mean for society if trust and confidence in financial services was restored
- Showing the contrast/compare between the Problem Statement and the Vision Statement will give the book **a natural sense of direction**

Chapters 5 to 16; each dedicated to a Finance Development Goal

- Each of these FDG Chapters will be a **collection of of thought-leadership essays** written by relevant subject-matter experts mostly drawn from the TTF Ambassadors
- To enable this part of the book to be structured consistently, there will be a prescribed framework for the Subject-Matter Experts to work within...

The “exam questions” the SMEs will respond to

“How can we accelerate the rebuilding of trustworthiness and confidence in financial services through [.....]?”

[better leadership]

[cultural reform]

[transparency]

[technology]

[better governance]

[better product design]

[communicating authentically]

[greater purposefulness]

[responsible reward]

[enhancing financial stability]

[better consumer protection]

[better risk management]

Framework for the Subject-Matter Experts

- **The response must be a direct response to the relevant question**
- **Maximum of 750 words for the response**
- **To also provide suggested Formal Recommendations for consideration by the Scientific Committee**
- **First drafts completed by December 31st 2019**
- **Final draft completed by January 31st 2020**

Chapters 5 to 16; continued

- Each of these FDG chapters will also have a **set of Formal Recommendations written collaboratively by members of The Scientific Committee**; addressed to the 1,000 VIPs
- **The Scientific Committee** will be made up of highly credible academics and renowned experts from around the world
- They will be a **“Dream Team,” too credible to be ignored**; and they will also be mostly sourced from the fast-growing community of Transparency Task Force Ambassadors...
- They will be able to **work from the suggested Formal Recommendations** prepared by the Subject-Matter Experts’ and can add in their own ideas

Framework for the Scientific Committee

- To work collaboratively during January and February 2020; I will facilitate
- Conference calls and emails
- To agree a set of Formal Recommendations for each FDG; based on the thought leadership essays plus own ideas
- The ‘audience’ for the Formal Recommendations are the 1,000 VIPs

We aim for the book to be highly impactful

- The people involved with the book will be a **dream-team of experts**
- The book will be **too credible and too compelling to be ignored**
- It will articulate good, Evidence-Based ideas; and it will explain precisely who needs to do what to turn those ideas into reality
- Each year there will be an updated edition with a **refreshed set of recommendations**
- We will be **able to shine a bright light on who has done what in response to the actions recommended by the Scientific Committee**
- If they wish, the 1,000 named individuals will be able to report on actions taken and progress made since the previous edition
- Over time, we hope and expect more and more of **the 1,000 to become increasingly involved** in this initiative
- The book will work **like having a sat-nav for finance reform**, always asking:
 - Where are we?
 - Where do we want to get to?
 - How are we going to get there?

Book launch and timings

- The work of the Subject-Matter Experts and the Scientific Committee to be completed by March 2020
 - This leaves March and April 2020 to:
 - Produce the book in-house, ready for download on 6th May 2020; the 5th birthday of the Transparency Task Force and the date of our next London meeting on this topic
 - The book will be available as a free download; donations invited
- **Let me know if you would like to help in any way; all help attributed**
- **Sponsors wanted!**

Comments?

Questions?

Ideas?

Richard Emery

Specialist Bank Fraud Investigator; former Marketing Services & Business Planning Manager, ICL Retail Systems; former Senior Analyst, Microfin Systems

<https://www.linkedin.com/in/richard-emery-b7329450/>



House of Commons
Treasury Committee

Economic Crime: Consumer View

PRESENTED BY RICHARD EMERY, 4KEYS INTERNATIONAL



“The way in which banks
respond to victims of fraud
is a measure
of their trustworthiness
and the confidence
that we can have in them.”

Richard Emery, TTF Symposium, 5th November 2019



Authorised Push Payment Fraud

Current losses: £1m – per day!

Confirmation of Payee (1)

Due in the top banks next Spring, all banks by end 2020

or

Overdue by about 10 years!

Confirmation of Payee (2)

“This (i.e. the failure to deliver CoP) has continued despite banks knowing this was a weakness in the system”

and

“it is a serious failure to protect customers from harm”.



Delaying Faster Payments

This recognises that most APP Fraud occurs within 24 hours of the creation of a new Payee

“recommend that all initial payments between accounts are subject to a 24-hour delay”.



Contingent Reimbursement Model

Yet to see how well this is being implemented by the banks.

“recommend that it should be made compulsory through legislation”.

Retrospective Reimbursement (1)

This is about dealing with cases before CRM.

“We strongly encourage firms to consider whether refusing to retrospectively reimburse customers who relied on the payee name is fair and just.”

Retrospective Reimbursement (2)

I propose an “Historic Reimbursement Scheme” for all victims of APPF since 2014.

I assert that the banks have been Grossly Negligent by not providing Confirmation of Payee even when they were aware of an obvious risk to their customers.

What is “Gross Negligence”?

“Gross negligence is when an individual makes a conscious and voluntary decision to do (or not do) something, with a clear understanding of a foreseeable risk of loss that is directly attributable to that action (or inaction).”

Richard Emery, TTF Symposium, 5th November 2019

Trustworthiness?

How will the banks respond to the Report?



Thank you

Richard Emery
4Keys International

Richard@4keys.co.uk
www.4keys.co.uk

Mark Turner,

**Compliance & Regulatory Consulting Practice, Duff & Phelps;
former senior risk consultant within the Risk Specialist Division at the
Prudential Regulation Authority;**

**former valuation and controls specialist at the Financial Services
Authority;**

Ambassador of the Transparency Task Force

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**Director, Association of Professional Compliance Consultants;
Director, Chameleon Compliance**

<https://www.linkedin.com/in/julie-ampadu-82706413/>



*Rebuilding Trust and
Confidence in Financial
Services*

*Julie Ampadu
Deputy Chair*

The APCC – What do we represent?

- Not for profit
- Only trade body of its kind recognised by the FCA
- Membership serves over 15,000 firms
- Represent a dynamic link between our members and the Regulator
- Aim is to help to develop the future of regulation
- And to support our members in guiding their clients in the right direction

On the brink of a breakthrough

- SMCR implementation
- Lessons learned from the first cohort
- But some firms don't appear to be able to join the dots
 - FCA Principles
 - Treating Customers Fairly
 - SMCR
- Just the latest version of the same theme
- Because it's all really about behaviour, the right mind-set and culture

What does the FCA tell us?

2010 – Sally Dewar FSA (Head of Risk)

“... improving regulation and the outcomes for firms and consumers is not just about moving the regulatory telescope – we need to change the focus and look closer at behavior and culture in firms, particularly ensuring two key things:

1 – that good culture and behaviours in firms are being driven by senior management

2 – that good culture and behaviours are being reinforced by effective corporate governance and the role of boards”.

What does the FCA tell us?

“We as a regulator have long gone beyond having the mind-set that simply complying with the rules is enough”.

FCA website, Jonathan Davidson, FCA Executive Director of Supervision- Retail and Authorisations, 26 May 2018.

What does the FCA tell us?

“Culture may not be easily measurable, but it is manageable. So, firms can and should take responsibility for ensuring their culture is healthy for both their employees and customers.”

FCA Discussion Paper - Transforming Culture in Financial Services (DP18/2).

Culture and transparency

- SMCR is serving to help to shape this new climate but firms are still struggling to understand what's required of them
- We all know firms that have a great culture
- Because they stand out a mile
- They are transparent in their behaviours toward their employees and clients
- Each one is different
- Each one tells us that culture is part of their 'fabric'
- And that culture is not a 'project'

The challenges ahead

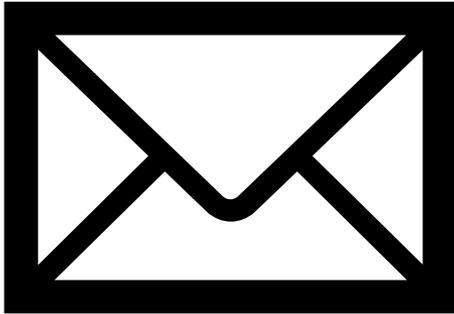
- Translating regulations into best practise and a positive culture
- Understanding what good governance looks like
- How to evidence it
- And not to resent it
- Making a positive, healthy culture a 'must have'
- Listening to the younger generation

The challenges ahead

- Within financial services an enormous shift change is upon us
- Working with the emerging 'younger generation' within financial services
- Currently make up approx 40% of employees within financial services
- These people have different needs and expectations of their employers
- We have a static way of working within financial services
- Some firms are struggling to find new talent that wants to join them
- And stay with them

The challenges ahead

- Essentially, firms need to understand how to 'join the dots' to create a positive and healthy culture
- That means they need to start at the beginning - and at the top of the organisation – go back to basics
- With good governance as a starting point
- Utilising training & competence as a positive
- And aligning it with a robust performance management framework
- The FCA has explained that it doesn't have all the answers
- Working Group on Culture – APCC



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Contact Us

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Research Lead and Facilitator, Board Effectiveness and Risk Governance, BP&E Global;

Faculty Lead, UK Finance Academy (Conduct and Culture), UK Finance; Visiting faculty and Research Associate, University of Cambridge, SME and author, Behavioural Risk

<https://www.linkedin.com/in/rogermiles/>

How we get financial firms to embrace Conduct rules (and why they don't, always)

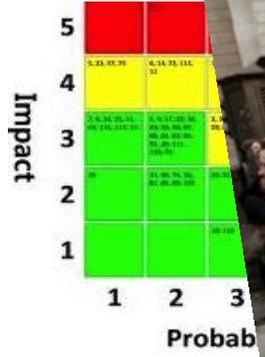
Dr Roger Miles

Head of Faculty, Conduct and Culture Academy, UK

*at the Transparency Task Force conference:
Accelerating trustworthiness and confidence in financial services*

“Old school” regs mistrusted by citizens
 - fallacies were obvious (with hindsight)

“Capitalism is broken”



Only modelling financial costs and benefits
 (no social factors)

...and 'maximisers' will keep markets self-correcting)

...with hindsight (no tools to identify bias or predict behaviour)

“Old school” regs mistrusted by citizens
- fallacies were obvious (with hindsight)

“Capitalism
is broken”



Trust challenge 2:
Regulators are seen as “captured”



Predict and avoid regulatory capture

Distrust arises when...

Provider(s) have \gt regulator's

- long-established – historic ‘tribal loyalty’ across sector
- economic strength – incl. first pick of best intellects
- portable – can move to other jurisdictions (“reg. arbitrage”)

Where provider's service is

- virtual – few physical ties to location
- opaque – little understood, unfamiliar
- skills-replicable – easy to find an alternative workforce



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Characteristics of
many f/s providers



Trust challenge 3:
Need to frame rules that *practitioners want to work with*



Badly framed controls...

...encourage misconduct.

Practitioners disengage:

- when a control appears

- irrelevant
- laughable
- unintelligible
- heavy-handed
- impracticable

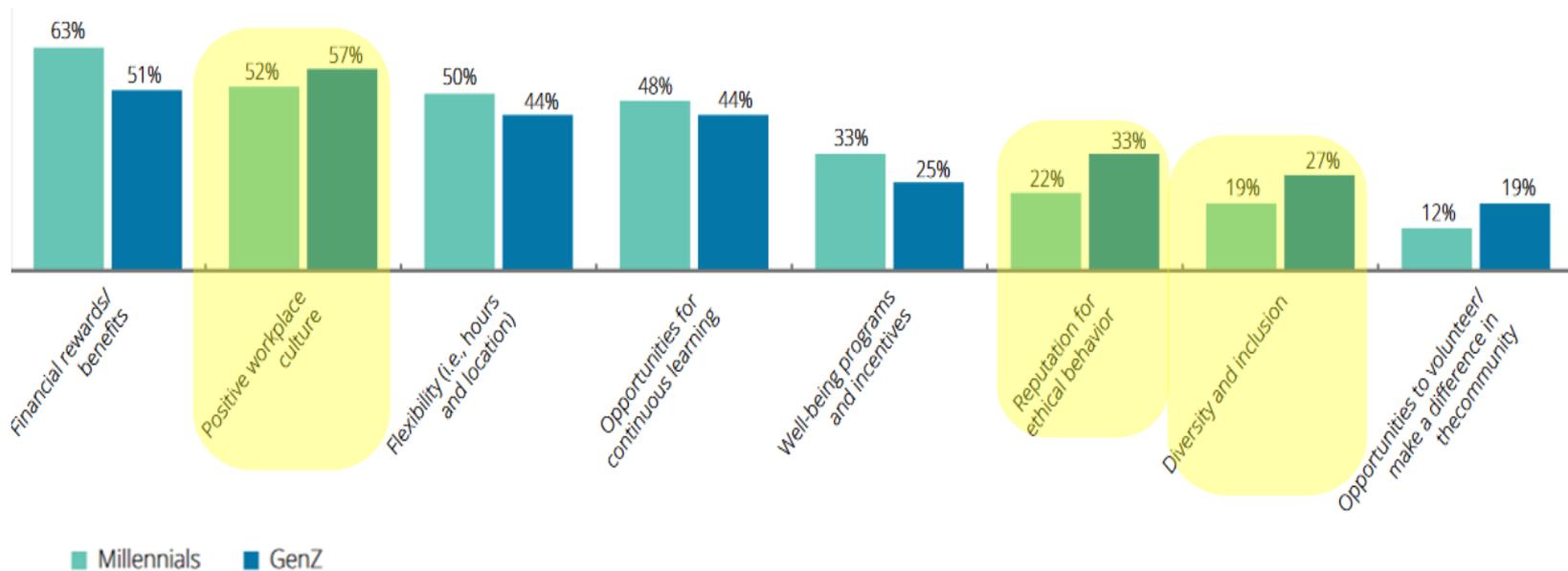
...and when there's no discussion of context

So we're starting "Conduct conversations" about *social* consequence



But at the same time... The talent now really cares about workplace Culture

“What counts as very important when choosing to work for an organisation?”



Deloitte, Millennials survey 2018

Reframing rule design

to rebalance Lay v Expert voices

Lay lens

“How worried I feel”

Qualify:

- our **own experience**
 - intuition, fears for self+family, reify, sense-making
- **biased** pattern-finding
 - cluster, close-by, recent, shocking...
- “**affect**” determines public risk-assessment
- **agency** also vital:
 - can we control / avoid / mitigate..?
 - **no** ‘acceptable loss’ to self/family



Expert lens

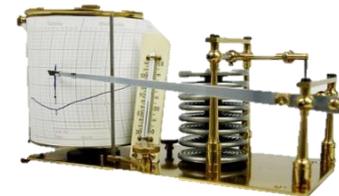
“The facts”

Quantify:

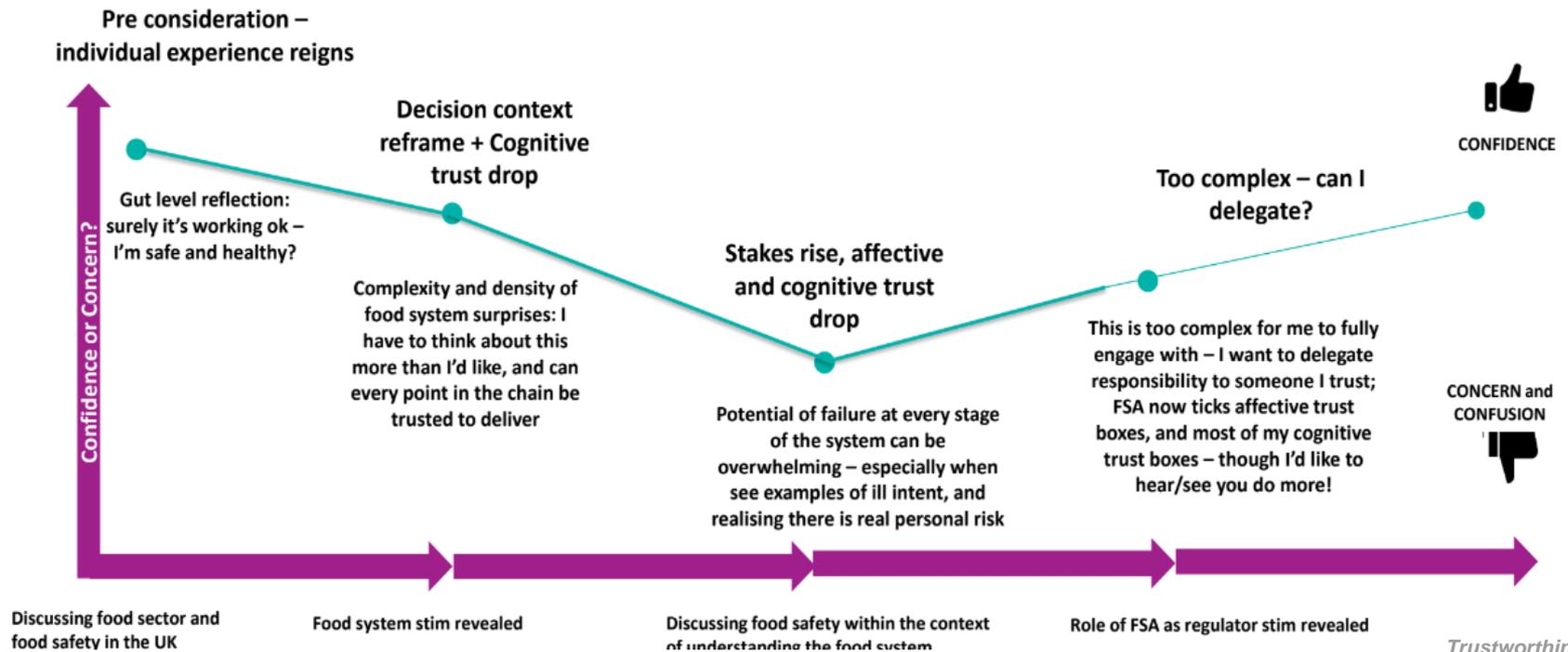
- objective evidence
 - event risk, detriment
 - peer review, eliminate biases
- cost v benefit of countermeasures

Governance then determines (for others)

- **agency** (intervene, mitigate, etc.)
- society-wide ‘acceptable loss’



Tracking regulatory traction: How Trust is lost and regained



*Trustworthiness
(Food Standards Agency)
from Trust in Governance
conference, 29 Oct 2019*

Measuring trust

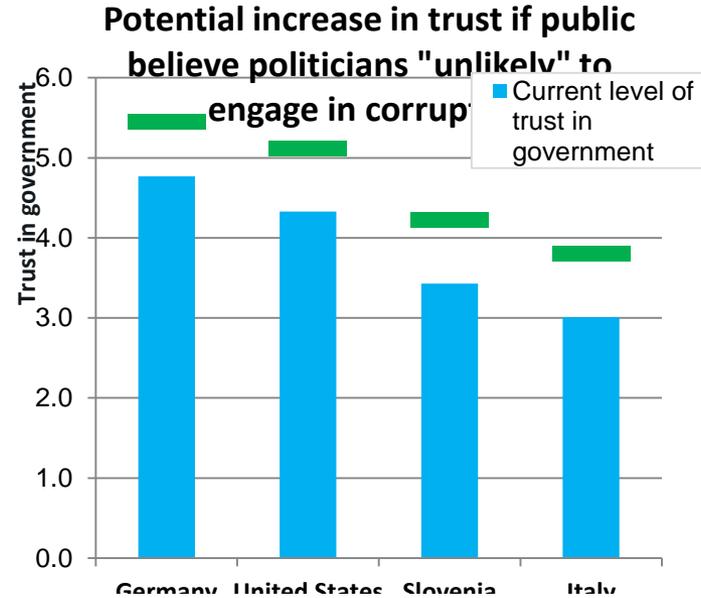
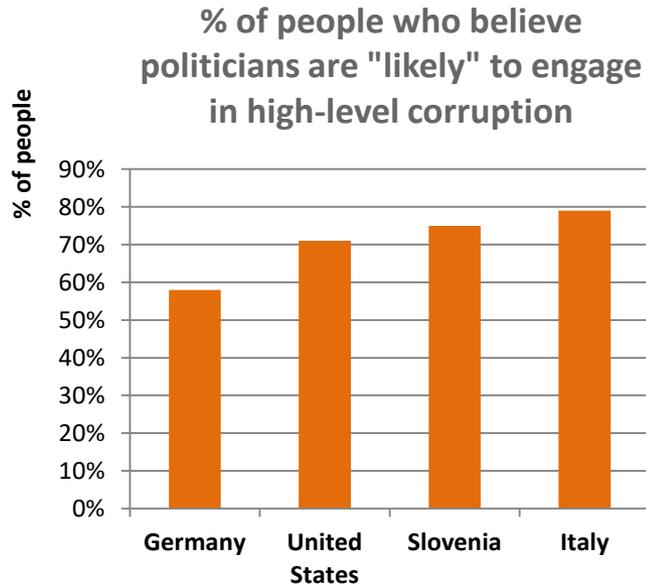
Example: OECD behavioural science toolkit (Oct 2019)

<u>Module</u>		<u>Focus</u>	
1	Behavioural Games Trust + Public Goods + Dictator + Risk games	Generalised Trust; Social Norms	} Experimental
		Optional modules	
2	Implicit Association Tests	Trust in Institutions	} Quasi-experimental
3	Survey and Demographic Module	Generalised Trust	} Traditional self-reported survey questions
		Trust in Institutions	
		Drivers of Trust	
		Optional modules	

*Measuring Trust (OECD)
from Trust in Governance
conference, 29 Oct 2019*

The "trust dividend"

- We can measure the public goods benefit of an increase in trust

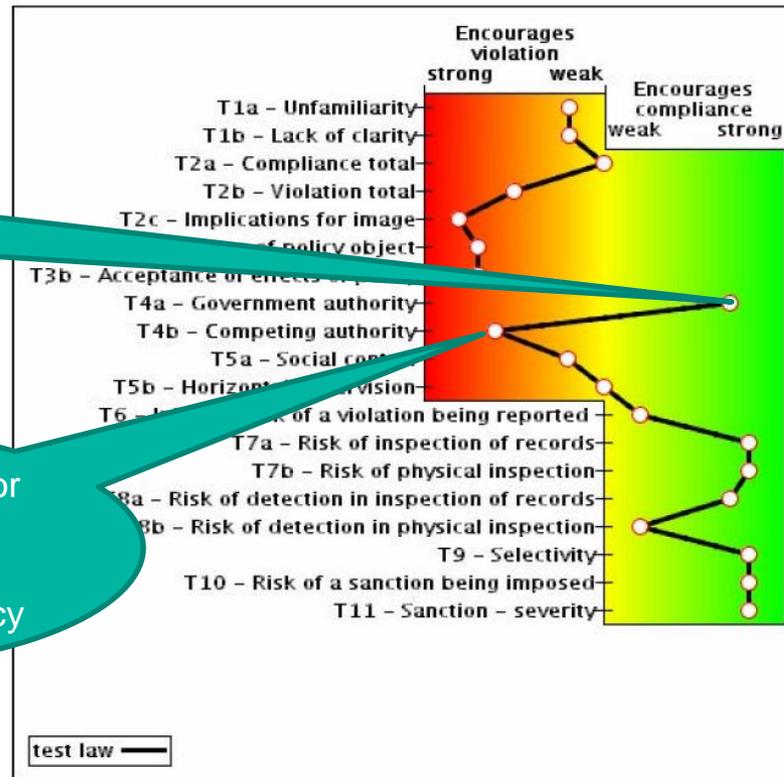


adapted from
Measuring Trust (OECD)
from *Trust in Governance*
conference, 29 Oct 2019

We can also measure a group's intent to comply with a rule

Strongly
'legitimate'
regulator earns
public trust +
support

Where experts disagree or
there's strong alternate
'social proof' (web etc),
regulator has no legitimacy



adapted from
Determinants of Compliance
(Justitie, Netherlands: T11,
2004)

Key measurable traits of a trusted entity (regulator / regulated firm) - FSA study 2019

- **Socially trustworthy**
 - explain uncertainty, work in the open, stay engaged with stakeholders
- **Cognitively trustworthy**
 - do as you say you will = deserving trust
- **Demonstrate independence**
 - come down hard on genuinely bad actors, show how looking out for consumer interests
- **Demonstrate public accountability**
 - news media, fact checking, proactive
- **Messenger effect**
 - consistently authentic spokesperson, endorsed by independent others



*Trustworthiness
(Food Standards Agency)
from Trust in Governance
conference, 29 Oct 2019*

Culture audit: a new approach to corporate 'health indicators'

Classic indicators (financial)

Capitalisation

Efficiency

Solvency

Profitability

Valuation



New indicators (human-factor)

Psychological safety

Cognitive diversity

Moral courage

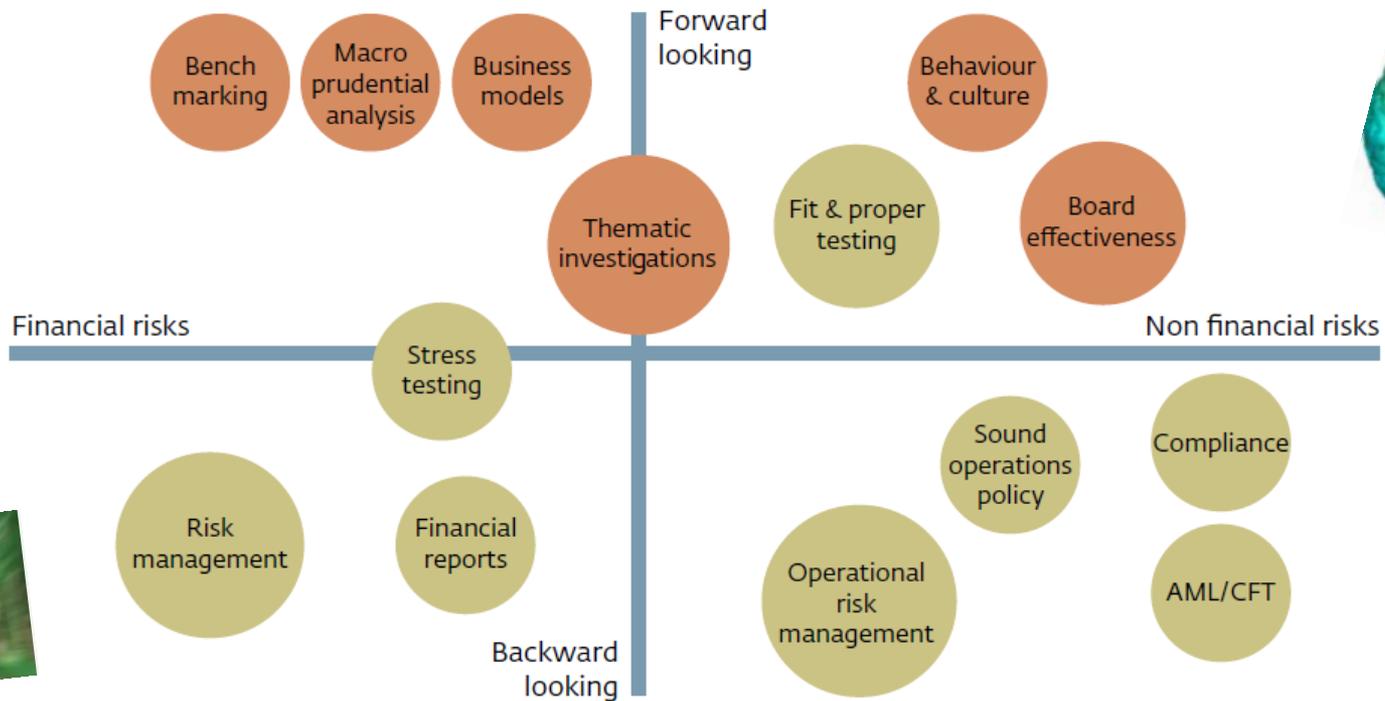
Social licence

...etc



Central banks move to *directly observe behaviour*

2007 v. 2019



This vsn 7-Aug-2019

Kellermann, De Hann & De Vries, in *Supervision of behaviour and culture* – prudential supervisor of the Netherlands (DNB), 2016-7

'Culture vision' dimensions: challenging shareholder primacy

Clients	Be client-centric	Individual owner
Our people	Value everyone's skills and diversity; invest in careers to drive performance	Individual owner
Culture (conduct, risk)	Balance risk-taking; be aware of consequences of our actions	Individual owner
Society, Economy	Play a meaningful part in the economy and society as a whole	Individual owner
Firm, Investors	Create sustainable profitability	Individual owner

Two forms of benefit from engaging with Conduct rules



Defensive - relieve pressure

- Fewer misconduct incidents
- Reduce public mistrust
- Reduce cost of remediation, regulatory change



Forward-looking - better for business value, peace of mind

- Better problem-solving
- Lower capital costs
- Better place to work: attract and retain best talent and business

New lenses: Essentials of the new financial regulation



- **Define** what's **acceptable and expected** behaviour today
 - according to the *lay public view* of this
 - consumer rights groups, ombudsmen, chat rooms, 'culture sandboxes'
- **Hold** managers **personally accountable**
 - for decisions and their social consequences
- **Enforce**, based on **directly observed behaviour**, not economic proxies
 - suspend abused products, systems and markets (PPI, LIBOR, mortgage derivatives)

Asking staff directly at the desk...



Show me some work you're doing that puts **values into practice**?

Where's your **challenge** function?

- What actually happened, last time someone **raised a problem**?
- Show me staff grasping and solving **problems** here today?

What makes you think you're **competent** (and fit for) your role?

Setting out a plain regulatory purpose

that promotes trustworthiness across the industry



(do they *really really* want?)

i.e. What does a Conduct regulator *really* want?

- To **restore public trust** in financial markets
 - best possible customer outcomes, stop detriment
 - keep its political sponsors happy
- To see **firms thinking for themselves**
 - not box-ticking, not outsourcing C + C initiatives
 - observe SMs, then *all staff*, feeling personally responsible for good conduct

Firms can do this (and many are)

- it's simply about starting the right "**conversation at the desk**"

The bottom line:

Why we're starting all-staff "Conduct conversations"



It works! - because:

- People **already know** how to do it
 - all can "own it" intuitively
 - best version of self
 - agency: feels good to be responsible for "how we behave"; "see it, call it out"
- Builds **lasting value** in the business
 - social capital: good people stay longer, service improves, earlier problem-solving
 - authentic = inherently trustworthy

**Thank you.
Questions?**

How we get financial firms to embrace Conduct rules
(and why they don't, always)

Dr Roger Miles

Head of Faculty

Conduct and Culture Academy, UK

*at the Transparency Task Force conference:
"Accelerating trustworthiness and confidence in financial services"*

About **THE TRANSPARENCY TROPHY**

- The TTF shines a light on problems; to help solve them
- The TTF also shines a light on transparency champions; to encourage others
- We do this by awarding a Transparency Trophy at each of our symposia
- The winner gets to keep it
- The star-shape is significant - people can navigate using the stars so the star shape has been chosen to symbolise the idea that the winners are helping to navigate the sector to a better place



Previous winners of THE TRANSPARENCY TROPHY

- February 2016: **Tomas Wijffels**, Pensioen Federatie
- April 2016: **Rachel Haworth**, ShareAction
- June 2016: **Jackie Beard**, Morningstar
- September 2016: **Gina & Alan Miller**, the True & Fair Campaign
- October 2016: **Robin Powell**, Evidence-Based Investor
- November 2016: **Daniel Godfrey**, The People's Trust
- December 2016: **Ralph Frank**, Cardano Risk Management
- February 2017: **Con Keating**, Brighton Rock Group
- May 2017: **David Pitt-Watson**, London Business School
- July 2017: **Mike Barrett**, The Lang Cat
- September 13th 2017: **Steve Conley**, Founder, Values Based Adviser
- September 28th 2017: **George Kinder**, Founder, The Kinder Institute
- November 15th 2017: **Angela Brooks**, Founder, Pension Life



Previous winners of **THE TRANSPARENCY TROPHY** continued

- November 23rd 2017: **Dr. Chris Sier**, Independent Chair, FCA's IDWG
- November 30th 2017: **Dan Brocklebank**, Head of UK, Orbis Investments
- March 8th 2018; **Henry Tapper**, Pension PlayPen, First Actuarial & AgeWage
- March 14th 2018; **Bob Compton**, Director, ARC Benefits Ltd
- May 24th 2018: **Susan Flood**, Vice Chair, Ark Campaign Group
- May 24th 2018: **Nicholas Morris**, Adjunct Professor, Faculty of Law, UNSW
- July 11th 2018: **John Howard**, Director, Consumer Insights
- July 26th 2018: **JB Beckett**, UK Lead, Association of Professional Fund Investors
- September 20th 2018: **Heather Buchanan**, Dir. of Pol. APPG/Fairer Business Bk'g
- 6th November 2018: **Lesley Curwen**, Reporter, BBC Freelance
- 14th November 2018: **Dr. Kara Tan Bhala**, President and Founder, Seven Pillars Institute for Global Finance and Ethics

Previous winners of **THE TRANSPARENCY TROPHY** continued

- 17th December 2018: **Julia Dreblow**, Founder, SRI Services & The Fund EcoMarket
- 16th January 2019: **Norma Cohen**, Former Financial Times Correspondent
- 12th March 2019: **Darby Hobbs**, CEO/Founder SOCIAL3, Co-Founder & Chairperson Conscious Capitalism Boston Chapter; and Professor Boston University
- 14th March 2019: **Connie and Michael Erlanger**, Co-Founders of GoKnown.
- 20th March 2019: **Mark Falcon**, Director, Zephyre
- 16th May 2019: **Dr. Anna Tilba**, Associate Professor in Strategy and Governance, Durham University Business School
- 29th May 2019: **Paddy Delaney**, Founder, Informed Decisions
- 6th June 2019: **Paolo Sironi**, Watson Financial Services, IBM
- 18th June 2019: **Guy Spier**, Chief Executive, Aquamarine Fund
- 20th June 2019: **Josina Kamerling**, Head of Regulatory Outreach, EMEA, CFA Institute

Previous winners of **THE TRANSPARENCY TROPHY** continued

- 10th September 2019: **Chris Tobe**, Founder, Stable Value Consultants
- 11th September 2019: **Jon Lukomnik**, Managing Partner, Sinclair Capital
- 12th September 2019: **Robert McNulty**, Dir of Prog's, Hoffman Ctr for Business Ethics
- 10th October 2019: **Rick Adkinson**, Chief Executive, Private Capital, Hong Kong
- 15th October 2019: **Dr Shann Turnbull**, Principal, Int Inst for Self Governance
- 17th October 2019: **Dr David Knox**, Senior Partner, Mercer
- 22nd October 2019: **Dean McClelland**, Tontine Trust
- 5th November 2019: **???**

Lunch & networking break

We restart at **13:50 please, ready for the “team photo”**

DUFF & PHELPS

Protect, Restore and Maximize Value



Robyn Klingler-Vidra PhD,

Senior Lecturer in Political Economy, Kings College, London;
Competitiveness Consultant and Executive Education Programme
Lecturer

<https://www.linkedin.com/in/dr-robyn-klingler-vidra/>

Challenging social impact reporting

Dr. Robyn Klingler-Vidra
Senior Lecturer, King's College London

Prepared for: The Transparency Task Force "How can we accelerate the rebuilding of trustworthiness and confidence in financial services" meeting in London on 5 November 2019

More reporting impact

More than 150 distinct methods for reporting impact.

Name	Year launched	Areas of focus	Cost	Use	Institutional affiliation
Social Return on Investment (SROI)	1997	Economic, social and environmental	Free or paid	Broad array of companies employing adapted versions of the SROI	Originally developed by the Roberts Enterprise Development Fund (REDF)
Social Rating	1998	Social and ethical financial	Free or Charge	Microcredit donors and investors	Micro-Credit Ratings International Ltd.
Social Impact Assessment (SIA)	1999	Economic, social and environmental	Free	Participants in the Global Social Venture Competition	Global Social Venture Competition (GSVC)
G4 Guidelines	2000 (G1 in 2000; G4 launched in 2013)	Economic, environmental and social	Free and Charge ⁷	Launched as a free online tool	Global Reporting Initiative (GRI)
Human Impact + Profit (HIP) Scorecard	2006	Human, social, environmental, economic	Charge	HIP Investor Inc. clients (investors, companies, funds, governments, agencies, etc.)	HIP Investor, Inc.
Principles for Responsible Investment (PRI)	2006 ⁸	Environmental, social and corporate governance	Fee or donation	From investors to NGOs, a variety of entities can become signatories after paying a fee or by making donations for this initiative	United Nations

But is reporting impactful?

Social impact reports are published, but in a static way.

- Shouldn't those who are impacted have a voice?
- Can impact reporting not be more interactive?



A more engaging approach



SUSTAINABLE DEVELOPMENT GOALS
17 GOALS TO TRANSFORM OUR WORLD



To drive engagement with those *impacted*, we are developing an interactive platform

Aims:

- boost accountability
- Spread meaning of social impact

“Challenging Impact”

Recently reviewed organizations

[See more reviews](#)



No poverty: 4.0 / 5

John Smith | 28.08.2019

About:



King's College London ✓

“ King's has a very diverse workforce and student body. Our staff is almost 50/50 male and female and our students are more than 60% female. Our undergraduate home students are more than 50% BME.

15 👍 | 10 🗨️

Review



Industry innovation: 4.0 / 5

John Doe | 26.08.2019

About:



University College London ✓

“ UCL empowers climate scientists to guide policy making.

14 👍 | 6 🗨️

Review



Zero hunger: 4.0 / 5

Jane Smith | 30.08.2019



National Health Service ✓

“ It is time to rethink how we grow, share and consume our food. If done right, agriculture, forestry and fisheries can provide nutritious food for all and generate decent incomes, while supporting people-centered rural development and protecting the environment.

15 👍 | 10 🗨️

Review

Thank you.

Robyn_Klingler.Vidra@kcl.ac.uk

The Power Panel

"How can we accelerate the rebuilding of trustworthiness and confidence in financial services?"

- **Sital Cheema**, Founder, Jaanu Sustainability Investment Consulting; Member, BSI Steering Group on Sustainability; Ambassador of the Transparency Task Force <https://www.linkedin.com/in/sitalcheema/>

- **Iain Ashleigh MICA**, Director, Compliance Matters UK; former Associate Supervisor, Financial Services Authority; Ambassador of the Transparency Task Force <https://www.linkedin.com/in/ian-ashleigh-mica/>

- **James Daley**, Managing Director, Fairer Finance; Columnist, Telegraph Media Group; Independent Consumer Representative, Chartered Insurance Institute; former Head of Money Content, Which?, former Personal Finance Editor & Business Correspondent, The Independent; former Personal Finance Editor, The Sunday Telegraph; Ambassador of the Transparency Task Force <https://www.linkedin.com/in/james-daley-03262515/>

- **Paul Bates**, Senior Transnational Litigation Counsel, Bates Barristers; Professional Associate, Outer Temple Chambers; former Director, Consumers Council of Canada; former member of the Investor Advisory Panel, Ontario Securities Commission; Ambassador of the Transparency Task Force <https://ca.linkedin.com/in/paulbateslitigator>

Kevin Hollinrake,

Member of Parliament for Thirsk and Malton

<https://www.linkedin.com/in/kevin-hollinrake-062b9613/>

Upcoming meetings

“COSTS & CHARGES; INCLUDING THE WORKS AND PENSIONS SELECT COMMITTEE'S REPORT ON PENSION COSTS AND TRANSPARENCY; AND "THE WOES OF WOODFORD – WHAT NEEDS TO BE LEARNED; AND BY WHOM?"

Thursday 14th November from 12:00 to 17:00

Thank you to Lansons for hosting

“THE PERILS OF PENSION SCAMS”

Tuesday 3rd December from 12:00 to 17:00

Thank you to Mayer-Brown for hosting

“GOVERNANCE, COMPLIANCE, STEWARDSHIP, CUSTODIANSHIP, REGULATION & RISK MANAGEMENT”

Tuesday 17th December from 12:00 to 17:00

Thank you to TLT Solicitors for hosting

What does this all mean to **you**?

- **You have the option**, if you wish, to be included in the project
- I believe that **the best form of teamwork is where everybody gets to play to their strengths**; so the best way for you to be involved is for you to do what is best and easiest for you
- **What are your strengths** and how can we help you to use them for the cause?
- **The cause is both noble and necessary**; please help if you can
- **I will be in touch to schedule a debrief 'phone call with each of you** 😊



Our work is done, for today!

Thank you very much for your attendance, input and ongoing support!

THE
TRANSPARENCY
SYMPOSIUM

Andy Agathangelou

Founding Chair

Transparency Task Force

Many thanks again to today's host and sponsors;
and everybody else for taking part so fully!

DUFF & PHELPS

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Just before your introductions, a short video

Some of the speakers at our 16th May 2019 symposium in London

<https://youtu.be/Ky0Qg9IpjCA>

Very brief introductions please

Please very briefly, in just a few seconds, deal with:

- Who you are; and what you and your organisation do
- Why the question *“How can we accelerate the rebuilding of trustworthiness and confidence in financial services?”* matters to you

Our second short video...

Some of the speakers at our 16th May 2019 symposium in London

<https://youtu.be/Is7N5DqjfXM>

“How can we accelerate the rebuilding of *trustworthiness* and confidence in financial services?”



TED Ideas worth spreading WATCH DISCOVER

Details **Transcript** **Comments (134)**
About the talk 30 languages Join the conversation

Trust is on the decline, and we need to rebuild it. That's a commonly heard suggestion for making a better world ... but, says philosopher Onora O'Neill, we don't really understand what we're suggesting. She flips the question, showing us that our three most common ideas about trust are actually misdirected.

1,674,513 views
TEDxHousesOfParliament | June 2013

[From 3 minutes 50 seconds to 7 minutes 25 seconds](https://www.ted.com/talks/onora_o_neill_what_we_don_t_understand_about_trust?language=en)

https://www.ted.com/talks/onora_o_neill_what_we_don_t_understand_about_trust?language=en

Mobile: +44 (0)7501 460308

andy.agathangelou@transparencytaskforce.org

Discussion:

“What are the consequence of low levels of trust and confidence in financial services; for

- Regulators?
- Policymakers?
- Market participants? (commercial entities)
- Society as a whole?”