



### 1 day session

The scope of the Senior Management and Certification Regime (SMCR) has recently widened to include more firms than ever – not just banks, but other types of lenders, insurers, fund and asset managers, besides many of their agents and suppliers. ‘Conduct enforcers’ now hold firms’ managers to account, in person, for meeting expected standards of good behaviour at all levels. As their Conduct is under closer scrutiny, firms are also required to test and improve their Culture, and to report formally on their progress in both of these areas. Conduct and Culture have become twin points of focus for regulators globally, with the UK’s regulator, the FCA, leading the way.

Many firms in the first wave of SMCR are coping with building suitable frameworks as part of their traditional Conduct Risk management activity. Yet it can seem unclear whether these steps are sufficient both to protect senior managers and to effect the firm-wide change in Culture that regulators are seeking.

We know that the regulatory thrust of Conduct Risk now draws strongly on behavioural psychology. Embedding Conduct and Culture as a concept moves activity on from the standard Risk Framework approaches that have hitherto been the focus of firms. This now requires firms to change mindsets - to recognise the hidden biases that exist in everyone, to be able manage these in the interests of customers and for the integrity of markets. This new behavioural approach must be embedded in all of a firm’s activities from Board strategic planning to operational support and Internal Audit, not simply a niche “Compliance” responsibility.

### Overview

This is an intensive, interactive one-day course, designed to provide a working introduction to the latest thinking on embedding Conduct and Culture for anyone involved in building and implementing Conduct Risk Frameworks, especially those who are ultimately accountable for the good management of the firm, its Conduct and Culture. It is designed as a stepping stone to more detailed masterclasses on the same topics.

The course will briefly assess the ways firms have attempted to meet the expectations of the FCA, then focus on the underlying approach of the FCA to the Conduct agenda and its view of Culture based on certain behavioural models. Through this lens the presenters will show practical methods of embedding Conduct in a way that supports good business, turning a regulatory imperative into a competitive advantage.

The course will challenge existing notions of compliance and show examples of fundamental outcomes-based approaches, based on behavioural theory, which support effective control programmes with sound strategic leadership. They identify and tap into overlooked sources of innate ethical strength in firms which ensure good conduct, build value and strengthen resilience. Participants should be prepared to discuss, in confidence, existing methodology and new ways to implement Conduct and Culture in their firms. As with previous sessions, participants are expected to offer and to welcome critical analysis and challenge.



By attending this session you will be able to:

- Understand fundamentals and pitfalls in embedding an effective Conduct programme.
- Answer members' most common questions: "Is the MI we have the MI we need? – if not, what do we need?"; and "What does (regulated) good behaviour look like?": You will learn to deploy Conduct initiatives that verify "good" for your firm, and new approaches to developing effective metrics and persuasive reporting.
- See and assess best practice Conduct Risk Framework and Senior Management approaches.
- Recognise key behavioural concepts that regulators rely on when setting their own agenda and assessing what drives misconduct in your firm.
- Stimulate outcome-based decision making at your firm, to inform your design of practical steps to embed an effective and sustainable conduct regime.
- Outline coherent strategies, from the Board to the recruiting desk and throughout the business first line, to measure and manage Conduct and Culture
- Leave with a personal action plan for further work and coaching to shape design and implementation of Conduct and Culture frameworks and reports.

### Who will benefit

This workshop will benefit anyone affected by the rising standards of personal responsibility and accountability under SMCR in both Wholesale and Retail Banking, in Wealth and Asset Management, and other financial services. It is particularly geared towards senior management and front office business heads, as well as those responsible for leading Conduct Risk Framework and Culture initiatives; this includes heads of Compliance, senior HR programme managers and other senior Operations and Risk professionals (Operational, Market, Credit risk); and Corporate Affairs professionals.

### Topics

*This course assumes attendance at a previous BBA/UK Finance hosted webinar or event on Conduct.*

#### Part I: SMCR and Conduct vs Conduct Risk Framework

- The connection between SMCR accountability and the Conduct Risk Regime
- Regulatory expectations and their informing concepts, including 'social licence to operate'.
- Practical internal case studies on poor behavior and outcomes.
- Key steps to building an effective Conduct Framework and management culture:
  - Leadership example and tone
  - Culture of effective challenge
  - Accountability at all levels and enabling moral leadership
  - Incentive-setting: reward vs punishment
- Assessing your current Control environment and Risk functions
- The relationship between those accountable and the risk functions

#### Part II: Conduct Risk metrics, value models, dashboards and effective reporting

- What do you currently measure?
- What should you measure to track Conduct?

- How do metrics drive decision making and demonstrate accountability?
- Essential items to have in a dashboard: demonstrating responsiveness, transparency and effective challenge.
- How to link this to firm value – as seen by Regulator, Customers, Shareholders and Society

### Part III: Cultural assessment and tracking

- How does the regulator assess Culture, and how we measure it?
- Behavioural concepts to enhance Conduct understanding and day-to-day practical working
- Approaches to influencing behaviour and Culture
- Building and owning internal capabilities
- The external view – feedback mechanisms and regulatory relations

### Part IV: Building a bespoke approach

- Behavioural tools to enhance Conduct understanding and practice, influence behaviour and Culture – coaching and reward mechanisms
- Where misconduct really comes from: Leadership and management fallacies that create hidden perverse incentives; how to identify and overcome these
- Capability frameworks and innovation philosophy: How to lead managers away from the comfortable paths (habits that look good, but make little difference)
- Develop a personal or group plan to derive value from a fresh approach to Conduct and Culture in your firm.

## About the Course Leaders

**Roger Miles** is a Doctor of Risk – he engages with a wide range of organisations, looking closely at how people perceive risk and make decisions under uncertainty. He is a research associate and visiting lecturer at Cambridge University, Judge Business School, and postdoctoral graduate of the Hazards and Risk Research Group at King's College London. He also lectures at UK Defence Academy, Cranfield, as a visiting Academic Course Leader and Examiner (MSc Risk and MBA courses).

After audit training at PwC, he ran regulatory engagement, investor and public interest group risk communication campaigns for firms including Barclays and Vodafone; for public bodies including HM Government Cabinet Office [Emergency Planning group] and The Environment Agency; and for sector advocacy groups including British Bankers' Association and the Federation Bancaire Europeene.

He now works with Boards to remedy design failures of regulation, risk control and governance. Typically, SMCR status groups commission him to run a bespoke workshop to investigate ineffective rules and controls – both regulatory and internal – and stop unwanted consequences where controls have been clumsily implemented or enforced. A session will often contrast expert and lay perceptions of risk, reveal expert-bias errors, and highlight the presence of informal groups who 'legitimise' misconduct. He then provides practical workplans for all staff, starting with the first line, to embed newly risk-aware working practices. This both supports compliance and creates value from robust challenge and improved decision-making.



His current research includes collaborating widely with Conduct team leads throughout the financial sector in the UK and internationally, to develop and promote more reliable indicators, predictors and reporting dashboards. He also continues to work with leadership groups in government, NGOs and the professions, publishing serial commentaries on risk culture (for Reuters, *Financial Times*, Berkeley Research and others) and best practice guidelines for financial professional bodies (including UK Finance, ABI, GARP and IOR). He co-edits a glossary of Risk Psychology terms for the annual *Behavioral Economics Guides* (LSE). His latest book, *Conduct Risk Management: a behavioural approach* (Kogan Page, 2017) is now a set text for UK Finance course attendees; see also his work in *Operational Risk: New Frontiers* (Risk Books, 2012); the *Risk Culture and Conduct* series (Thomson Reuters, 2013 -). His global anthology of behavioural risk analysis, *Human Frailty*, is in press (Taylor & Francis, 2018).

### Patrick Butler

Having worked in the British Foreign and Commonwealth Office in London and Asia until 1998, Patrick obtained his MBA from INSEAD and joined HSBC, first as an Investment Banker then as Head of Global Strategic Projects for the Global Investment Bank during a period of major transformation. He joined Bank of America in 2006 to build a Business Selection and Conflicts Management function, before moving into compliance to rebuild the EMEA IB and Capital Markets Compliance team following Bank of America's acquisition of Merrill Lynch, as Head of Global Banking and Research Compliance in EMEA.

In 2012 Patrick started his own Risk Management and Transformation consultancy, Calitor Limited ([www.linkedin.com/in/calitor](http://www.linkedin.com/in/calitor)), with a focus on practical, sustainable integrated solutions to Regulatory Risk challenges. Through this he rebuilt, strengthened and integrated Barclays' Corporate Banking Compliance function with Investment Banking Compliance; designed and built the business plan and Compliance Framework for a new bank (Williams and Glyn) at the time intended to be divested by RBS and then returned to Barclays in 2015 to draw up the business plan and target operating model for a Compliance Career Academy in partnership with Cambridge Judge Business School to enable Compliance as a Group function to drive Conduct and Cultural change.

Patrick currently develops and implements Conduct and Culture Enhancement Programmes for firms with major presence in the UK. He is currently building a programme for a Global French Investment Bank, including ensuring design and implementation of an outcome-based effective Conduct Risk Framework, creating Cultural assessment tools, enhancing reward mechanisms and providing coaching and development, to ensure the effectiveness of the SMCR framework and support a coherent, integrated and sustainable approach to underpin good conduct from Board to back-office.

He is also the Regulatory expert for FinTECH Circle Innovate, advising FinTECH and RegTECH disruptors and incumbents on regulatory risks and opportunities in the innovation process; driving innovation in regulatory risk management practices, based on latest research and thinking to leverage opportunities offered by FinTECH advances. This includes delivering best practice seminars for industry associations and regulators in emerging financial hubs that wish to leverage FinTECH.

Together with Roger Miles at UK Finance, Patrick is developing the design and delivery of Conduct and Culture webinars, workshops and coaching modules that combine the latest thinking with practical regulatory outcome focussed solutions. These sessions equip firms to drive sustained behavioural change and so restore public trust in the financial services industry, enhance market integrity and support economic growth.