

# Fiduciary Supervision and Policy Division Managing Risks at the Frontier

Philip Marr, Director

Audrey Branch, Deputy Director

Fiona Crocker, Deputy Director



# Introduction

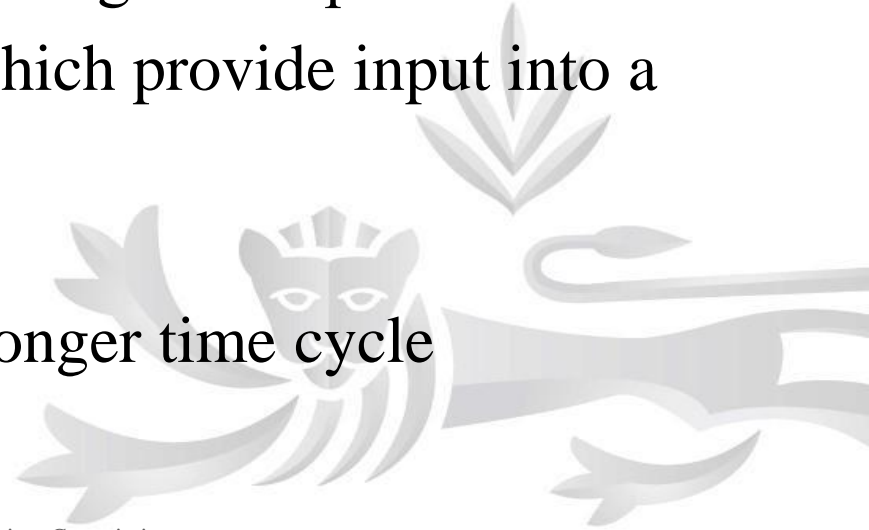
- An overview of recent developments, emerging issues and the challenges
- Fiduciary sector means the wider sector where boundaries are not clear
- “Managing Risks at the Frontier” will look at “spill over” areas. NRFSBs and pension providers
- No surprises - the common theme is managing risk

# What's New?

- Administration of foundations is now an explicitly regulated activity
- Question: is the Law likely to set the Fiduciary world on fire?
- Some developments in family office work
- Consolidation within the sector – more private equity ownership
- The cost of doing business is creeping up - challenges for small fiduciaries

# What's New? cont'd

- New risk based approach – an impact based classification
- Categorise licensees as to the likely impact of their failure
- Don't expect fiduciary firms as highest impact
- Meetings drive assessments which provide input into a risk governance panel
- Impact not the same as risk
- Lower impact licensees on a longer time cycle

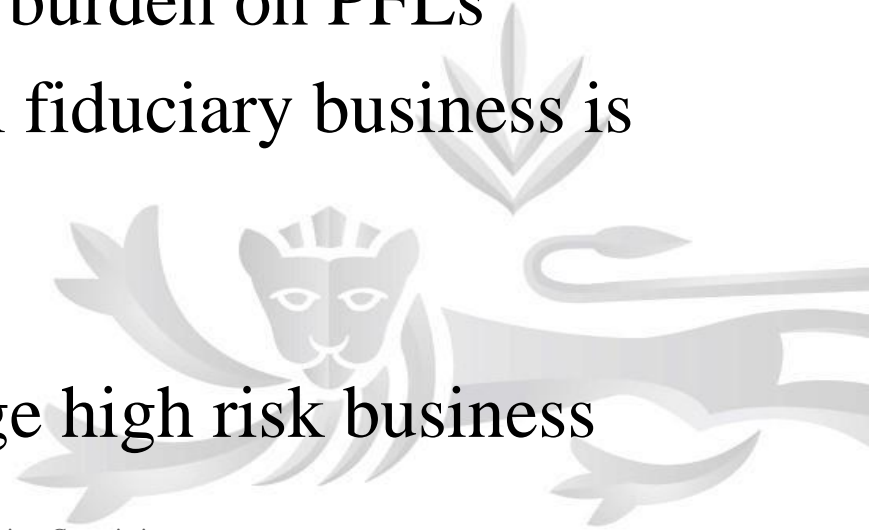


# Thematic Surveys

- Completed a thematic survey on data security - encouraging results
- Methodology seems to have worked with a questionnaire survey and cross section of on-site visits
- Where do we go from here? Developing some relevant focused themes
- Other relevant themes could emerge

# AML/CFT issues going forward

- Moneyval briefing on 5-6 October:
  - 2014 assessment expected
- Trying to reduce the AML burden on PFLs
- Moneyval presumption: all fiduciary business is inherently high risk
- Issue for Moneyval:  
to evidence how we manage high risk business



# Towards an International Standard

- GIFCS is reviewing its Statement of Best Practice for TCSPs
- GIFCS is considering whether the document could be upgraded
- Build sharper requirements on client monies, directors duties, Capital and liquid assets
- Guernsey Financial Resources Requirement required clarity



# Developing Corporate Culture

- Corporate Governance can be woolly: its about behaviours, good practice and judgement
- Finance Sector Code of Corporate Governance is comprehensive document; please read, digest and act upon it
- Corporate Culture is an elusive concept driven from the top
- Why bother? its about protecting your firm's reputation and the Bailiwick

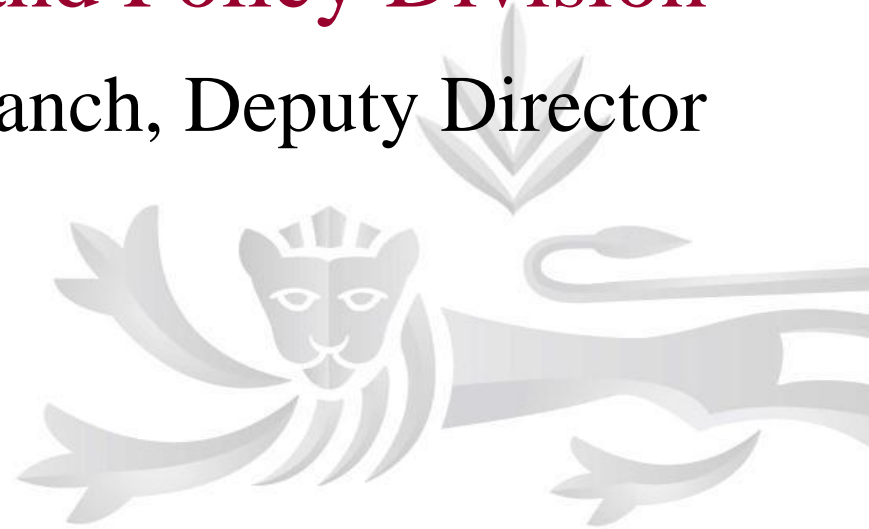


# Making Corporate Governance Sharper

- Protecting your reputation is about strong behaviour, good practice and sound judgement
- Go back to fundamentals: get smarter about risk
- Three RAs: Risk Appetite, Risk Assessment, Risk Awareness
- If you do high risk business manage and mitigate those risks
- The message: embed those RAs in the front line with the business developers – don't think risk is just for compliance

# Fiduciary Supervision and Policy Division

Audrey Branch, Deputy Director



# Managing Risks at the Frontier

- NIMROD XV230
- “Piper 25” Anniversary speech by:  
The Hon. Sir Charles Haddon-Cave

[www.judiciary.gov.uk/Resources/JCO/Documents/Speeches/ch-c-speech-piper25-190613.pdf](http://www.judiciary.gov.uk/Resources/JCO/Documents/Speeches/ch-c-speech-piper25-190613.pdf)

# Unmitigated risks identified

- Product design and modification
- Manufacturing
- Operations
- Change – product and organisational
- Outsourcing a risk review and failing to challenge results



# Where was the Nimrod Leadership team?

The missing factors:

- Cohesive Board
- Clear governance structure
- Defined risk appetite
- Management information
- Risk sensible

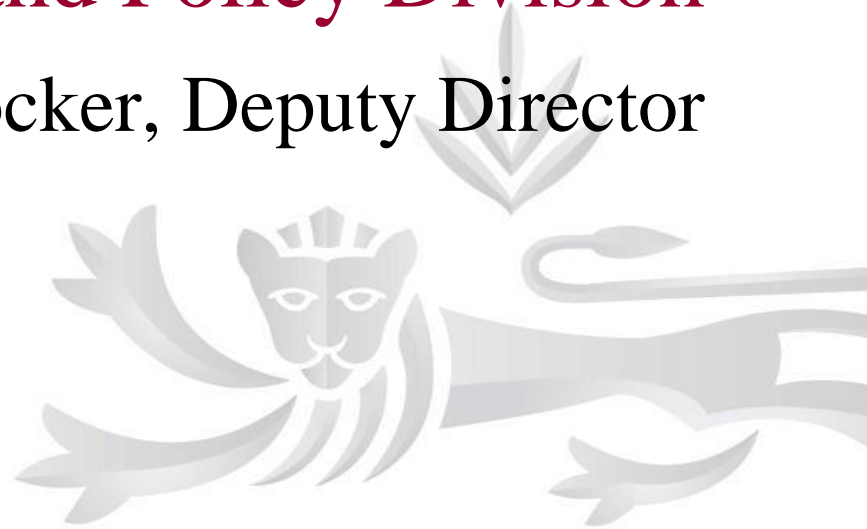


# “Non-regulated” financial services business

- Regulated for the purpose of AML/CFT
- Peer-to-peer lending, on-line spot f/x, payment service providers...
- Fiduciary product – company services - to a regulated company
- Unbundle risks and take a balanced view
- Risk sensible

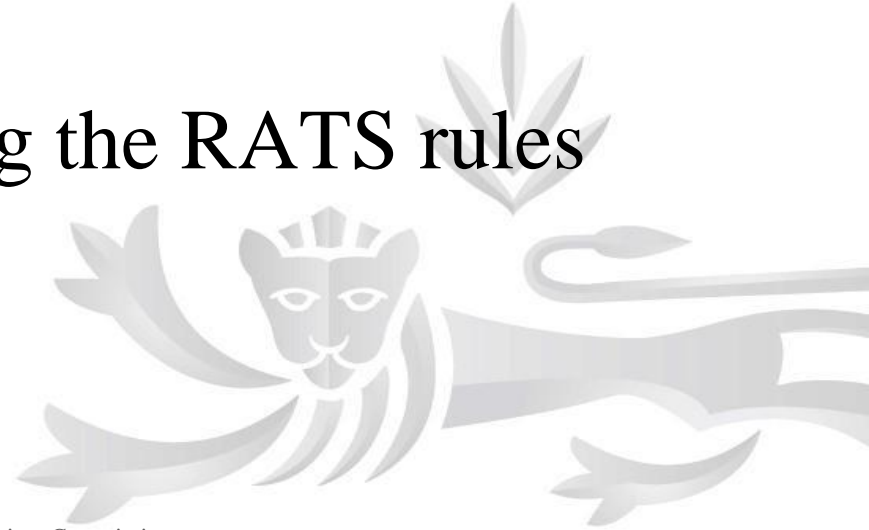
# Fiduciary Supervision and Policy Division

Fiona Crocker, Deputy Director



# Managing Risk at the Frontier

- Feedback on themed onsite to pension trustees
- Consultation on revising the RATS rules





# Pension Review

- Pension review:-
  - governance culture
  - managing and mitigating risks
  - policies, procedures and controls
  - resourcing



# Pension Consultation

- Pension consultation:-
  - Reducing cost
  - Increasing choice
  - Ensuring sufficient protection for members

