



Compliance in the
age of Covid-19

Contents

01 / Regulatory expectations



03 / Matters in focus



02 / Increased risks



04 / How we can help



01 / Regulatory expectations



- Leadership teams need to be on top of their compliance agendas
- Ensure business practices do not stray
- Maintain a robust controls environment



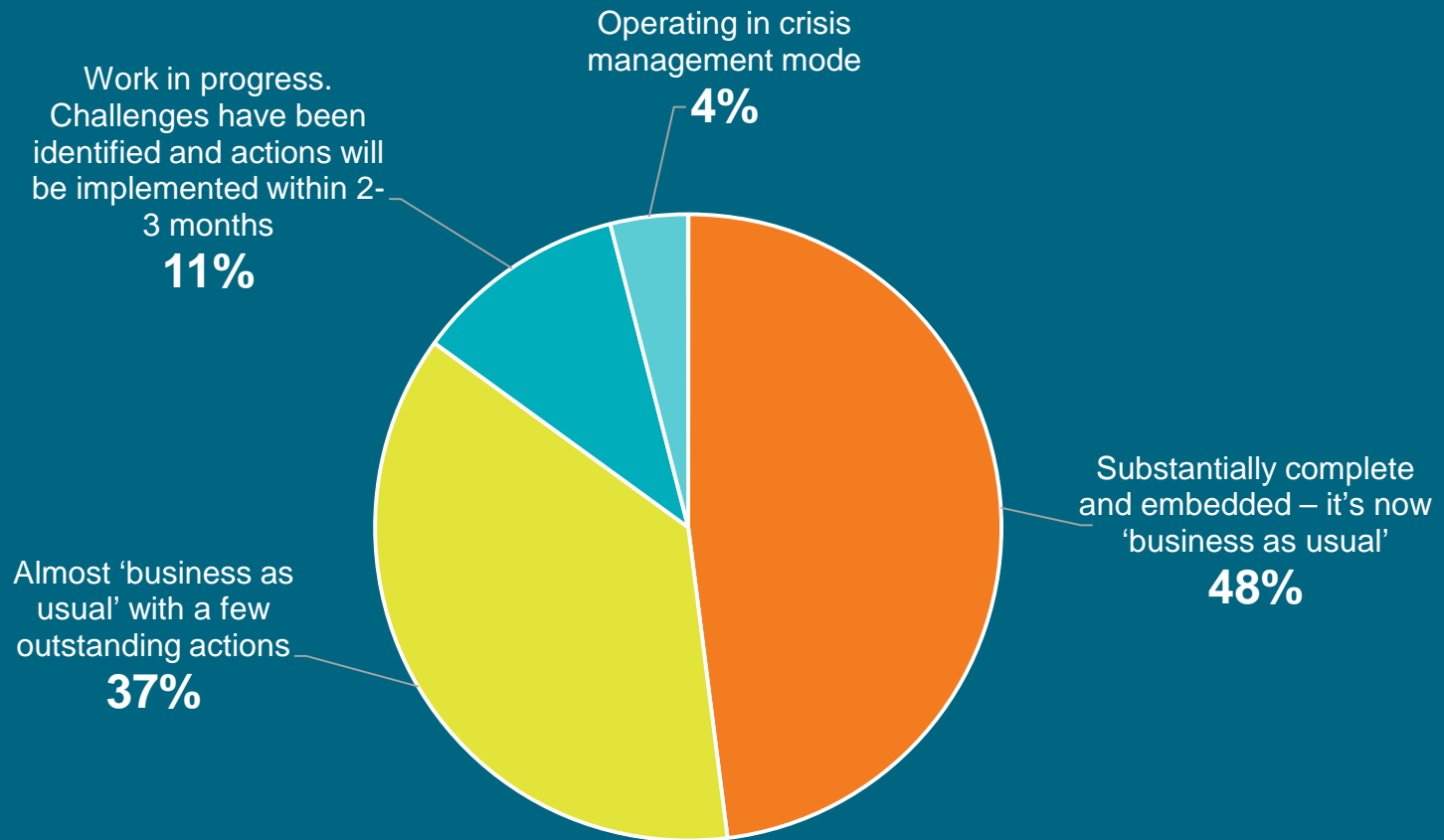
- Updated policies and processes
- Refreshed training
- Rigorous oversight in place reflecting current working arrangements



- No regulatory forbearance offered during this time
- Importance of culture to minimise the risk of poor conduct



How far along are firms in adapting compliance arrangements in response to Covid-19?



02 / Increased risks

Demands on compliance departments to support the business, keeping pace with business activities.

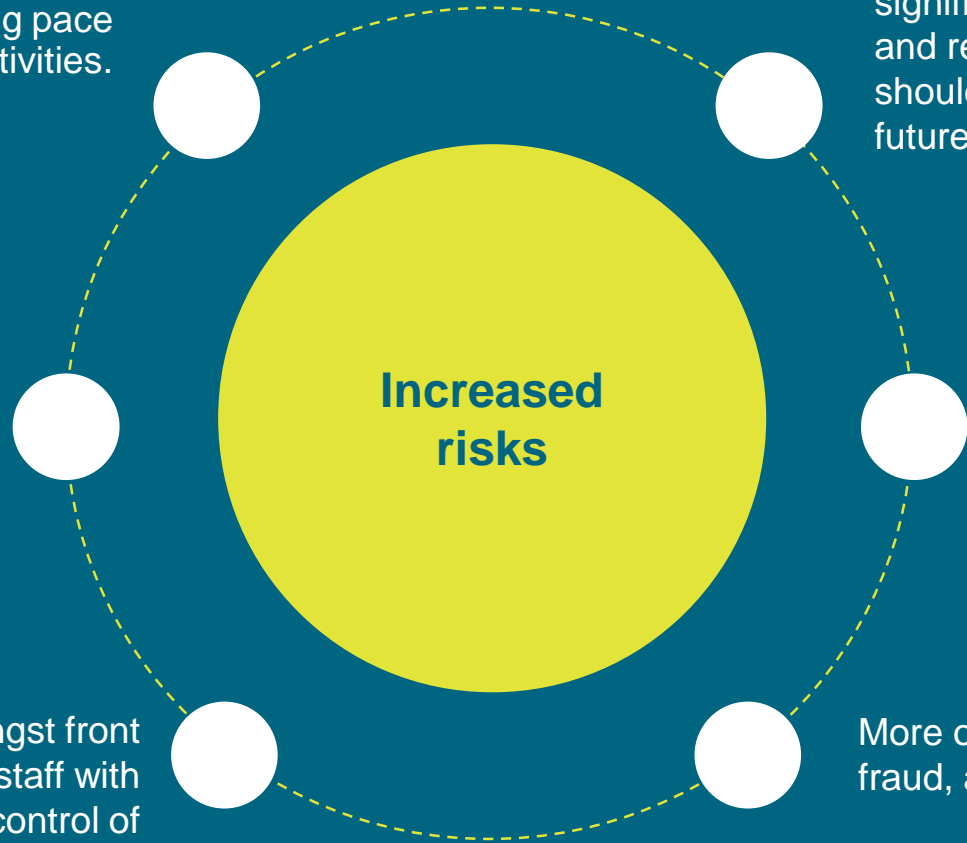
BAU operations continue to face significant disruption. Firms who adapt and reinvent compliance standards should be better able to respond to future crises.

Historic levels of trading volumes and market volatility (market abuse risk)

Systems & Controls were never intended or designed to operate this way for an extended period.

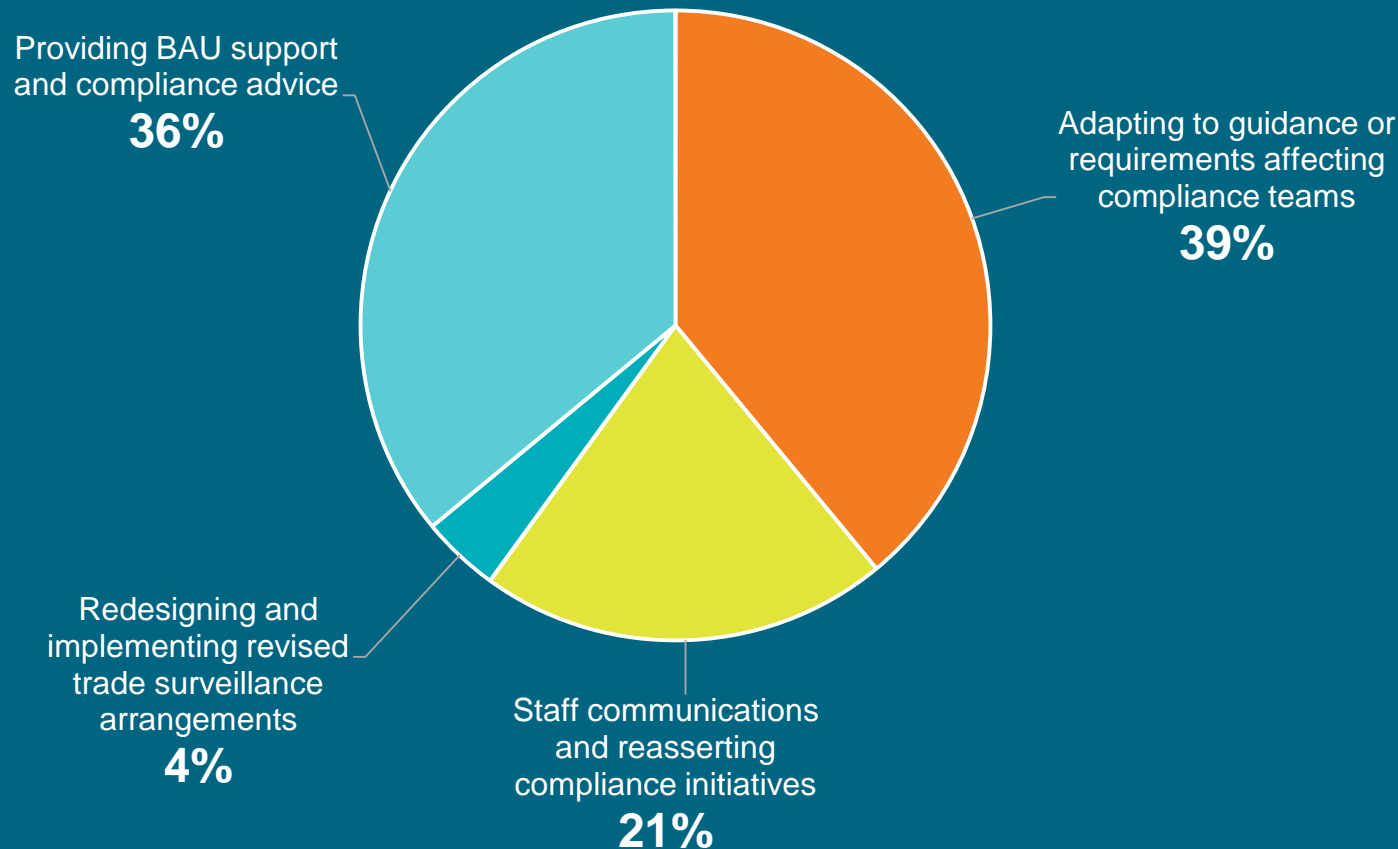
Lack of self-policing amongst front office and operational staff with diminished first line control of observing and overhearing.

More opportunities for control failures, fraud, and scams





What has been firms' biggest barrier to successful adaption of compliance arrangements in response to Covid-19?



03 / Matters in focus



Compliance teams & operational resilience



The FCA & PRA continue to focus on Operational Resilience*

- FCA alongside BoE is reviewing contingency planning with the FCA focusing on record keeping and call recording
- Focus on broader control environment, proposing enhanced retrospective monitoring where people are trading remotely

The role that culture and conduct plays within firms

- Matters most when the risks are highest
- Management and leaders should consider how they can reiterate and reinforce expectations
- Staff should be in no doubt of the standards expected of them regardless of where they're based

The impact of remote working

- Firms should consider whether oversight & provision of advice from Compliance Advisory teams is still adequate?
- Value in cross training staff and fall back arrangements

Compliance Initiatives

- Traction should not be lost with compliance initiatives whilst “physically out of sight” from commercial teams
- Leadership teams should ensure their teams continue to focus on the importance of compliance and act with integrity

*Regulatory policy expected to be finalised Q1 2021

Data security & cyber crime

Nature of cyber crime remain the same – threats posed to money, assets and sensitive information by fraud, ransomware and phishing.

Policies and guidelines around video-conferencing.

Appropriate security controls including strong unique passwords, limited data sharing, VPN and remote network access.

This includes controls included in services to protect security, data and communications.

It goes without saying that personal devices should not be used, especially for client communications or dealing.

Regular refresher training



Capital markets & market abuse

Business as usual

- Markets remaining open and clean is key to supporting the economy
- FCA expectations that office and home arrangements *“should be equivalent”**
- Market participants must remain alert to their obligations under MAR regardless of current conditions*

Firms will need to demonstrate the steps they’ve taken should the FCA make enquiries and how these have been applied in practice.

Controls of handling inside information

- Developments as to what amounts as inside information
- Information barriers (partners/flatmates)
- Permanent insider and insider list reviews
- Wall-crossing arrangements

Firms will need to have in place robust mechanisms to monitor developments so that they may properly identify when such developments constitute inside information**

Surveillance alerts and STORs

- Calibration of alerts to take account of increased volumes in volatile market conditions
- STOR’S to continue to be of good quality
- Significant backlogs to be noted to FCA to avoid tipping off

Greater risk of conflicts of interest in trading securities debt restructuring discussions and distressed debt markets.

*Article 17 MAR

**Speech by Julia Hoggett, Director of Market Oversight FCA, Market abuse in a time of coronavirus

Consumer credit & mortgage support



FCA priorities are still those laid out in the business plan, but there's additional Covid 19 guidance for consumer credit, overdraft and mortgage guidance*.

Continue to ensure consumers are aware of the support available to them and provide adequate information on the impact of a payment deferral.

Ensure repayment arrangements are sustainable and prevent customers' balances from escalating once they have put in place a repayment arrangement by suspending, reducing, waiving, or cancelling any interest, fees or charges.

Give fair warning to customers reaching the end of a payment deferral period and provide support before payments are missed.

Be flexible and employ a full range of tailored shorter and longer-term options to support customers and minimise stress and anxiety experienced by those in financial difficulty.

Review policies and procedures to ensure tailored solutions are promoted and current circumstances are taking into account when offering forbearance.

[*<https://www.fca.org.uk/publication/guidance-consultation/consumer-credit-coronavirus-additional-guidance-firms.pdf>](https://www.fca.org.uk/publication/guidance-consultation/consumer-credit-coronavirus-additional-guidance-firms.pdf)
<https://www.fca.org.uk/publication/guidance-consultation/overdrafts-coronavirus-additional-guidance-firms.pdf>
<https://www.fca.org.uk/publication/finalised-guidance/mortgages-coronavirus-additional-guidance-for-firms.pdf>

Vulnerable customers



- FCA draft guidance for firms on the fair treatment of vulnerable customers* encourages holistic cultural change (finalised guidance due Winter 2020).
- The pandemic shows that anyone can become vulnerable at any time and the regulator has encompassed this into the new “Spectrum of Risk concept”.
- Everyone’s responsibility – FCA have made a decision to not link the guidance to SMCR to collectively deliver this cultural change.
- Firms should understand what characteristics are likely manifest in their customer base, ensuring staff have the knowledge and skills to translate analysis into practical action.
- Firms should be carrying out impact assessments and conducting a gap analysis on how the new guidance compares to their practices. Gaps identified should be rated according to the risk presented to vulnerable customers.

*<https://www.fca.org.uk/publications/guidance-consultations/gc20-3-guidance-firms-fair-treatment-vulnerable-customers>

Complaints handling



FCA believes firms have had enough time to adapt and comply with DISP 1.6 and other requirements.

Firms must provide a response within the 8 week timeframe, even where staff are working from home.

FCA expects firms to pay redress promptly (including compensation awarded by FOS) or provide a holding response.

Firms should prioritise vulnerable customers, micro-enterprises and small businesses, who are likely to experience harm or financial difficulty if their complaint isn't resolved promptly or fairly.

Final thoughts



There's no regulatory forbearance available



Be proactive to avoid costly remediation further down the line



Take reasonable steps to adapt to current circumstances



Ensure comprehensive audit trail to support action taken

04 / How we can help you

We help you link culture and compliance to generate commercial success using clever people and smart technology. We can solve any FCA focused problem.



RegTech-enhanced complaints handling – we've paired our expertise with technology to bring you the highest quality and most cost-effective remediation and complaints handling. >> [Read more](#).



Compliance effectiveness – we help you drive commercial success with customer focused culture, resilient governance and strong controls. >> [Read more](#).



Regulatory change – from operational resilience to vulnerability and the upcoming culture audit, we turn disruptive regulatory change into commercial benefit. >> [Read more](#).



Specialist resourcing – get your hands on the best quality people with the right skills to meet your operational needs and regulatory obligations. >> [Read more](#).



Culture analytics – see, measure and evidence your culture with our state-of-the-art culture analytics programme, Hemisphere. >> [Read more](#)



Head Office:
10 Lower Thames Street
London EC3R 6EN

T_ +44 (0)203 772 7230
E_ hello@tcc.group

www.tcc.group