

# Compliance leads the way...

by Ian Jackson, Head of Compliance, Cabot Credit Management.

**T**HE move of regulator from the Office of Fair Trading (OFT) to the Financial Conduct Authority (FCA) is a natural next step. The industry has been evolving steadily, becoming more and more serious about its customers and the way it operates but at the same time, the size of the step should not be underestimated – it will be a jump.

The FCA has a clear remit and has already gained a reputation for being intrusive, questioning and consumer focused – just ask the Banks. The challenge is significant but a welcome one as it will help drive improvements in standards and focus the industry on its customers. The opportunity for Compliance is to make a real difference to the health of companies.

The key aim of the FCA is to ensure financial markets work well so consumers get a fair deal. To do this, the FCA follows three statutory objectives, protect consumers, enhance the integrity of the UK financial system, and help maintain competitive markets and promote effective competition in the interests of consumers. The focus the FCA has on Treating Customers fairly, which has been around since 2006, plus the more recent Conduct Risk and Fair Customer Outcomes show that regulatory compliance is not enough. It is not even sufficient to go one step further forward and comply with the spirit of regulations. Companies need to go beyond this and be more ambitious and also focus on Customer outcomes in line with the FCA remit.

## Key Benefits

The compliance function's composition, its role and voice within the business combined with its position within the overall risk management framework can provide the dual benefits of offence and defence for the organisation. Good strong customer focused compliance is not just a fundamental requirement it is

a strategic imperative to drive a more customer centric approach.

It is not possible to attribute direct sales benefits to compliance or be definitive of the value added by Compliance but by driving growth that is focused on the customer, Compliance can make a real contribution to the health of a company. Clients are increasingly setting compliance gateway levels as their entry point into the market and are increasingly focused on providing continuing customer and regulator reassurance which companies need to use to their advantage.

## In Practice

Regulatory and Compliance arrangements for the organisation are determined by the impact of regulation, the regulator and the organisation's risk appetite. A firm's compliance framework will reflect these factors. Compliance needs to be utilised positively to add value as an enabler and must not be seen negatively as just a policing authority. This is an excellent time to build on compliance foundations that are already in place and develop a more pragmatic and holistic compliance approach that is right for the company and the environment.

On a practical level Compliance areas need to design and implement a regulatory risk framework that is suitable for its specific company needs which will all be slightly different.

Moving from the aspirations to the practicalities of compliance it's important that Compliance can show how it can make a difference. Compliance is an enabler to move forward the strategic objectives of a customer centric and customer outcome motivated organisation driven by staff behaviour based on "doing the right thing" and behaviours that place the customer at the centre of the organisation. Undertaking business compliantly and evidencing is a major platform for



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driving the right behaviours of staff and the desired customer outcomes.

A clean bill of compliance health gives commercial advantages. Clients will increasingly only partner with organisations with a strong customer and compliance agenda. Good evidence based compliance is an entry requirement but enhanced compliance and a strong customer focused approach can provide a differential as clients will demand stronger compliance focus and reduced risk to them.

The move to the FCA is a challenge for the industry and compliance needs to be able to hold a mirror up to the organisation and have the strength and independence to call out issues if required but also partner with the business to deliver pragmatic solutions. By installing a circular straightforward process of plan, action and review, compliance can identify potential issues, monitor and test specific targets and provide outputs that can be acted upon and make a real difference as both a layer of defence and an enabler.

