TREATING CUSTOMERS FAIRLY: *LEAD OR BE LED*

TCF is different. It is a challenge to get our minds around and harder to predict outcomes. Rob Rusconi asks what is at the heart of the mystique of the new regime and how financial services players might best respond to it.

Thought Piece

TCF introduces a sea change to the style of regulation in South Africa. It is a critical part of the shift to Twin Peaks. This is because it is at the heart of what the successor to the Financial Services Board (FSB) will be doing in the market conduct space. It is philosophically different from everything else that precedes it. Why does it exist and what might it bring?

Raison d'être

TCF lies at the heart of the mandate of any financial services regulator: to protect consumers participating in that industry. Treating these customers fairly is surely a sensible minimum requirement for providers looking to enter or stay in this market. So TCF is intended to improve customer confidence and address poor provider reputation.

TCF aims to address inadequate powers in the current framework for the supervisor to intervene on behalf of cus¬tomers. How can this be? The FSB has historically focused on the financial health of the insurers, pension funds and other non-bank providers. It has adequate power to intervene where these entities are not in good shape. But it is increasingly recognizing that it needs to put more effort into supporting the customers of these providers. TCF brings about the power to implement this intent.

The TCF regime is consistent with the move to the so-called Twin Peaks supervisory environment, under which prudential and market conduct supervision will be separated. The stated objectives of the move to the new model are relevant to TCF. It aims for a framework that is transparent, comprehensive, intensive, intrusive, outcomes-based, pre-emptive and a credible deterrent to inappropriate activity.

The TCF philosophy provides an effective and flex¬ible way to manage market conduct supervision. Its outcomes-based approach give the responsibility for demonstrating com¬pliance to the financial services provider. This releases the supervisor from the respon-sibility of constructing lengthy check lists. It gives it instead the authority, having established the legal framework, to learn from the most innovative approaches and drive a best-practice culture through the industries under its watch.

What should insurers be doing?

The starting point for insurers, from the top and throughout the organization, is to show commitment. TCF cannot be pretended and it cannot be delegated. All parts and all people in an organization need to think about how they can put the customer first in all that they do. Six outcomes have been set out so it is tempting to focus on those. But this is not about ticking a few boxes but about getting the entire organizational culture right.

If you are a large firm, find your champions. Perhaps you need "outcome heroes" and "divisional shakers" working in matrices. Either way, you need to find ways to get the TCF message flowing well. Each champion ought to be mandated to see objectives met. Not all of them are change managers, however, so they'll need to receive support and co-ordination and they may need encouragement from others.

Driving from board level is critical. Ensuring that senior managers take TCF serious is just as important. But success depends on a broad base across every part of the firm. Your consistent support must come at grass roots level.

February 2014

Treating Customers Fairly will change the way insurers, pension funds, intermediaries, asset managers and all other financial services providers interact with the market. Do not leave the responsibility to your compliance function. If you do, your competitors will lead the way. And their good ideas will become tomorrow's benchmark.

(e) robr@tresconsulting.co.za (m) +27 82 334 5937 (t) +27 11 462 0149 (w) www.tresconsulting.co.za · PO Box 951, Jukskeipark, 2153, South Africa