



Financial
Services
Board

Treating Customers Fairly (TCF)

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Agenda

- The six TCF outcomes
- Components of the TCF Roadmap structural model
- Some likely points of debate
- TCF considerations for the retirement funds industry
- The TCF self-assessment pilot



The 6 TCF outcomes

1. Customers can be confident they are dealing with firms where TCF is central to the corporate culture
2. Products & services marketed and sold in the retail market are designed to meet the needs of identified customer groups and are targeted accordingly
3. Customers are provided with clear information and kept appropriately informed before, during and after point of sale
4. Where advice is given, it is suitable and takes account of customer circumstances
5. Products perform as firms have led customers to expect, and service is of an acceptable standard and as they have been led to expect
6. Customers do not face unreasonable post-sale barriers imposed by firms to change product, switch providers, submit a claim or make a complaint

These outcomes are to be demonstrably delivered throughout the product life cycle, from product design and promotion, through advice and servicing, to complaints and claims handling.



The TCF Roadmap structural model

	Pillar 1: TCF Framework	Pillar 2: Implementing TCF	Pillar 3: Incentives & deterrence
Firms	Regulatory framework	Culture & governance	Disclosure & reporting
FSB	Supervisory framework	Proactive supervision	Enforcement mechanisms
Support	Ultimate fairness through ombud schemes Regulatory co-ordination & information sharing Consumer education & awareness		



The TCF framework

- Firms will conduct business within a TCF regulatory framework, which will aim for –
 - Consistency
 - Completeness
 - Co-ordination
 - International best practice
- The FSB will develop a TCF supervisory framework, which will aim for –
 - A risk-based, proportional approach
 - Pro-active and pre-emptive supervision
 - Intensive and intrusive supervision



Implementing TCF

- A new culture & governance approach by regulated firms, entailing -
 - Embedding a TCF culture framework (*through leadership, strategy, decision-making, governance & controls, performance management, reward*)
 - Measurement and MI
 - Self-assessment
- An enhanced supervisory approach by the FSB—
 - Pro-active approach to macro & micro conduct risks
 - Public & non-public reporting
 - New approaches in on-site & off-site supervision



Incentives & deterrence

- Public reporting of identified TCF performance measures – a reputational incentive and deterrent
- Credible deterrence
- Pre-emptive intervention for industry and firm-specific conduct risks
- Formal regulatory enforcement action
- “Name and shame”



Support structures

- “Ultimate fairness” through ombud schemes
- Regulatory co-ordination and information sharing – especially in a “twin peaks” regulatory model
- Consumer education and awareness



Some likely points of debate

- The scope of TCF for complex value chains – “retailer” and “wholesaler” accountabilities
- Overlaps and “underlaps” with other consumer protection legislation – e.g. FAIS, the NCA, the CPA
- Product intervention – how far should regulation go?
- Legacy products and practices



TCF considerations for the retirement funds industry

National Treasury has highlighted particular policy challenges for retirement funds, many of which relate – directly or indirectly - to the issue of fair treatment of retirement fund members, potential members and their dependants.

These include:

- The preservation imperative
- Uneven treatment of various retirement savings products
- Member and trustee education
- The need to enhance choice through disclosure and transparency - “high and opaque” charges remain a concern and NT has specifically signalled these as a focus of the TCF initiative
- Possible economies of scale through umbrella funds
- Lack of harmonisation of public sector funds



TCF considerations for the retirement funds industry (cont.)

The legal construct of retirement funds – with their complex combination of member, fund / trustee, sponsor / employer, insurer and benefit and investment administrator inter-relationships - raises questions regarding the application of TCF as a *retail* consumer protection tool.

Members of retirement annuity and preservation funds are (always?) retail customers. As such, administrators of these funds will be expected to deliver TCF outcomes for members.

But more complex questions include:

- What are the TCF accountabilities of RA and preservation fund trustees? How will these reconcile with their common law and PF130, Regulation 28 and proposed Code of Ethics fiduciary obligations?
- Where both administrators and trustees carry TCF accountability, how is this to be apportioned and balanced? How should conflicts be resolved?
- Arguably, commercially operated occupational umbrella funds can be regarded as operating in the retail space. If so, what are the respective trustee and administrator TCF accountabilities?
- Should offering individual member choice trigger TCF accountabilities, even for occupational funds? If not, what is the best consumer protection framework for these members to ensure reasonable consistency with the TCF outcomes?
- Although financial advisers dealing with individual members will clearly have TCF accountabilities, what are the TCF expectations for fund level advisers?

Stakeholder engagement on these questions will be required to ensure consistent delivery of fair member outcomes, within an efficient and enforceable framework.



The TCF self-assessment pilot

- Participants have been identified, pilot about to commence
- Mix of general qualitative questions and more detailed process questions. E.g (not yet final):
 - As a product supplier or distributor, how do you track sales to make sure products are sold to the target customer group?
 - Do you have a process in place to mitigate risks to your customers when it becomes apparent that products are not performing or are unlikely to perform as customers have been led to expect?
 - How are claims, lapse and complaints data used to evaluate the success of a product and your fairness and value commitments to customers?
- Will also be questions re existence, types and use of MI
- Purpose is to ensure utility of the final tool.
- NB: Note limitations of the tool – develop your own!



Thank you
Questions please?