



ICSA

INTERNATIONAL COUNCIL of SECURITIES ASSOCIATIONS

RESULTS

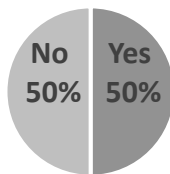
Culture and Conduct – ICSA Member Survey

April 2016 - 12 responses from 16 members

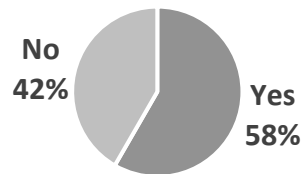
Part I - REGULATORS

Culture

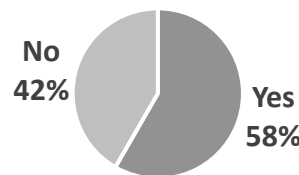
A regional/national regulator specifically responsible?



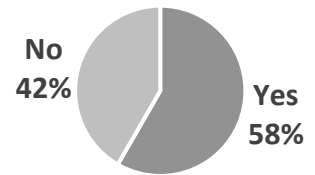
Rules/guidance/publications issued by regulator?



Regional/national private market bodies with some responsibility?

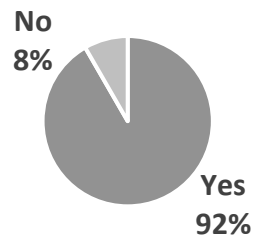


Private bodies issue guidance/publications?

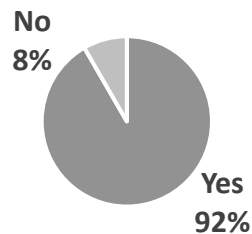


Conduct

A regional/national regulator specifically responsible?



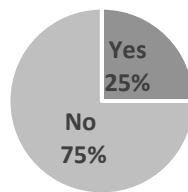
Rules/guidance/publications issued by regulator?



Members can identify almost universally specific regulators with responsibility for conduct, and published rules and guidance. However, responses are closer to evenly split when members are asked if there are regulators with responsibility for culture.

In explaining answers, members note that in some instances regulators have either no formal mandate on culture/conduct, or that responsibility is shared by one or more regulators. However, all report focus on the part of regulators. Most report the publications of codes of conduct and/or best practices.

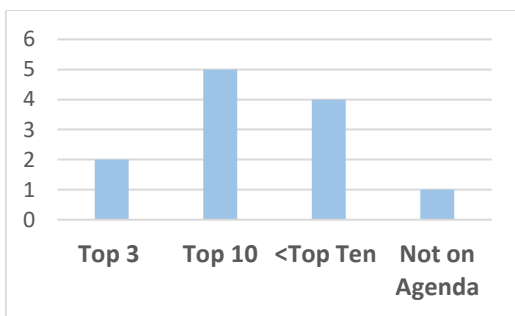
Does the regulator take into account a firm’s procedures for embedding good culture in assessing capital or levying fines?



For the most part, members do not believe that strong procedures for embedding good culture reduce operational risk capital requirements or the levying of fines.

Part II – MEMBER PRIORITY

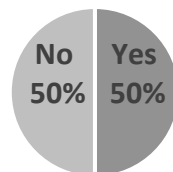
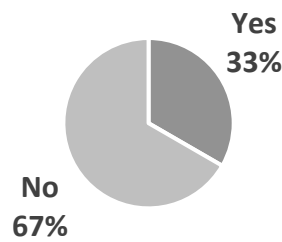
Priority Rank of Culture
(amongst all issues - # members)



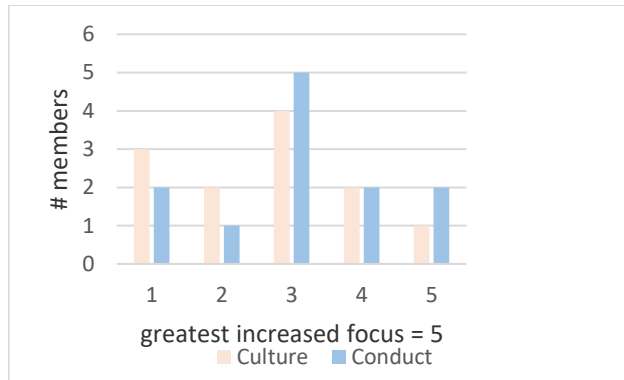
Have Full- / Part-Time Staff on

Culture?

Conduct?



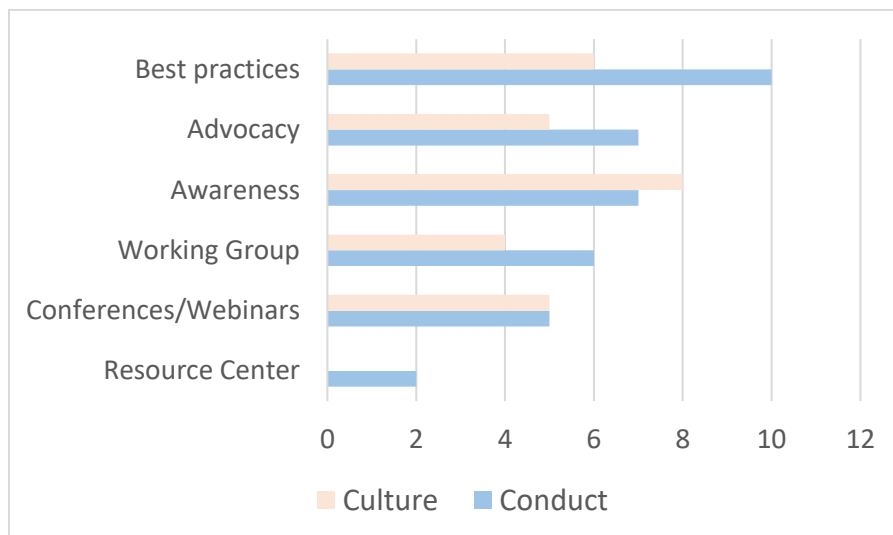
Plans to increase focus



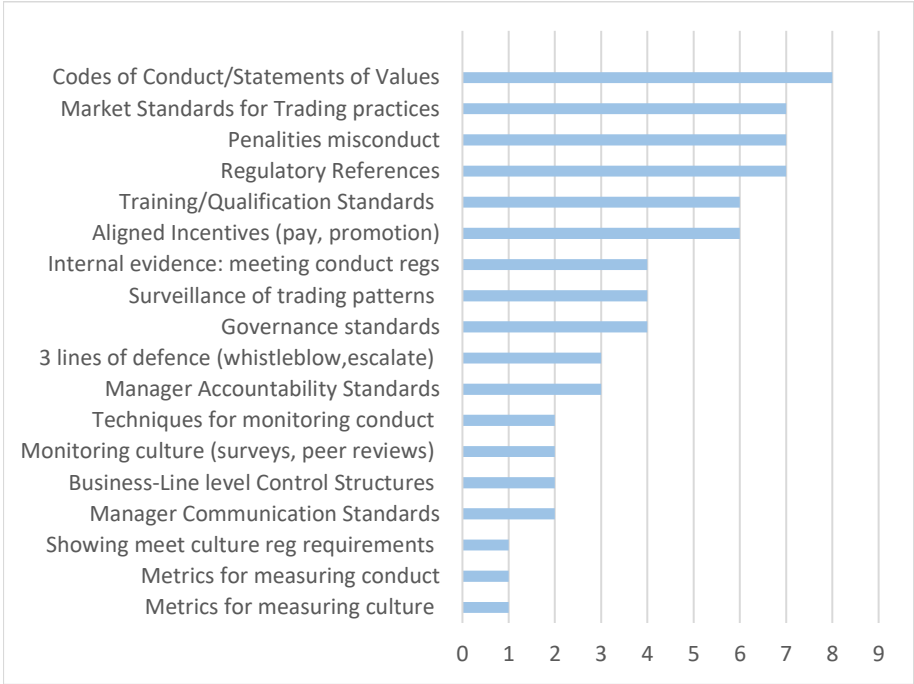
Member priority varies, with 58% viewing culture as one of their top ten issues. Some not planning to increase resources believe they are already highly engaged. Greater emphasis is placed on conduct over culture.

Part III – MEMBER INITIATIVES

Current number of members with initiatives by type



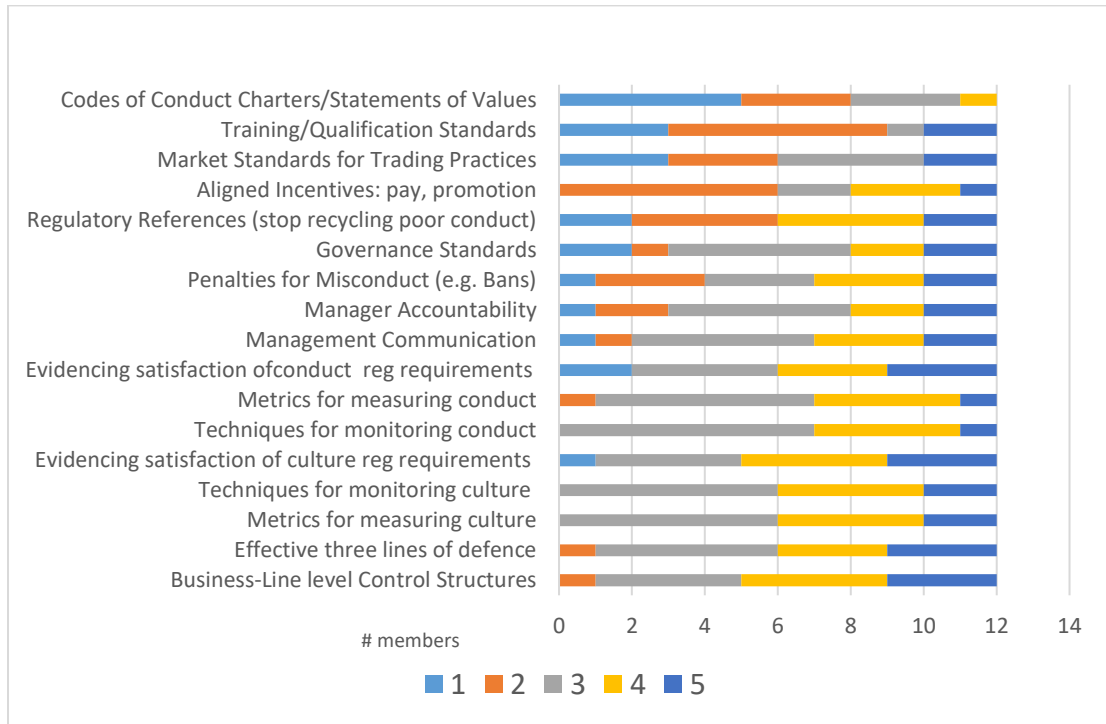
Current number of members with initiatives: drilldown by type



Analysis of member initiatives again demonstrates a stronger focus on conduct. Best practices (codes of conduct, market standards) lead the list of member initiatives. Member exchanges of ideas and information and increasing awareness are also a priority.

Part IV – MEMBER VIEWS

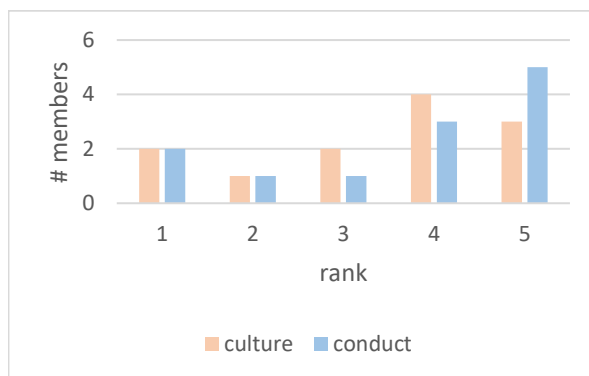
Member rankings of the Importance of initiatives going forward (1 = highest importance)



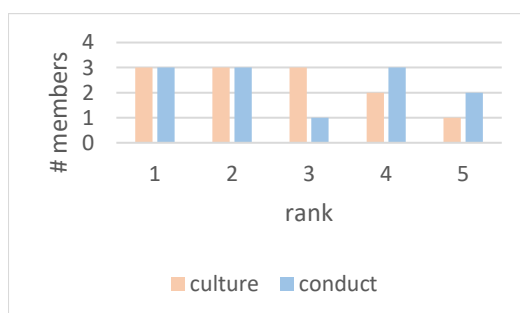
Going forward, members indicate increasing focus on training and qualifications, alignment of incentives, and regulatory references.

(5 = believe strongly, 1 = not at all)

Do you believe that initiatives can be effective in reducing the volume of new regulation?



Do you believe culture initiatives can be effective in reducing charges (for operational risk) under Capital Requirements rules?



Despite indicating earlier in the survey that they do not believe that culture and conduct initiatives reduce regulatory or capital requirements at present, members express the view that good work in the area of conduct could reduce the volume of new regulation.

What initiatives might ICSA undertake?

“A set principles developed by ICSA would be a valuable source for all securities associations.”

“Culture is a developing area and as such possible ideas could include: good practice guides, a report on different approaches adopted by firms & literature on the development of metrics or a report setting out how firms are separately approaching metrics. ICSA would have the benefit of being able to adopt a global approach to this area.”

“Potentially to develop high level global guidance on industry practice, especially if IOSCO adopts initiatives in this area.”

“We believe it is ICSA's remit to produce statements and tools on those issues but only if those ones are high standards, serious and credible. Those areas are particularly sensitive for the credibility of the industry so any potential ICSA's initiative would need to have ‘teeth’.”

“ICSA could periodically conduct information exchanges to examine the similarities and differences on conduct issues among ICSA members as well as to make comparisons between banking and securities industries.”

“In general our opinion is that principal based regulation is far better than detailed legislation for reaching the desired Culture and conduct.”

NOTES

While there is a clear relationship between culture and conduct, we use the term ‘culture’ when referring to ‘the mechanism that is designed to deliver the values and the behaviours that shape conduct and contribute to creating trust in [financial services firms], and a positive reputation for those firms amongst key stakeholders, both internal and external.’ Initiatives involving statements of values and charters, staff development and promotions, performance management/incentives, accountability and governance, and effective three lines of defence are generally considered to fall under the heading of culture.

When we use the term ‘conduct’, we refer to the behaviour exhibited by personnel within financial services firms that could more directly cause problems to consumer protection, market integrity and/or competition. Good conduct includes treating the customer fairly and following the spirit as well as the letter of the law. Poor conduct includes not putting the customer first, market abuse, and financial crime. Individuals’ conduct is tested by such means as monitoring and surveillance of phone calls, chat, emails; staff surveys; exit interviews; and whistleblowing.