Treating Customers Fairly (TCF)

Presentation for the Actuarial Society of SA
November 2011

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Agenda

• TCF and the financial regulatory framework

• The 6 TCF outcomes

• TCF structural model

• Some likely points of debate

• TCF and the role of the actuary: Some questions

• Current status of TCF Roadmap
TCF and the financial regulatory framework

• National Treasury has published its policy position for financial sector regulation in “A Safer Financial Sector to Serve South Africa Better” (The “Red Book”)

• Policy objectives: (1) Financial stability (2) **Consumer protection and market conduct** (3) Expanding access through financial inclusion (4) Combating financial crime

• Shift to “twin peaks” regulation – prudential regulation under SARB and market conduct regulation (including banking conduct) under FSB

• Financial Regulatory Reform SC (NT, FSB, SARB) is formulating implementation proposals and roadmap for “twin peaks” – various work groups, including a Market Conduct Regulation WG

• TCF Regulatory Framework SC will feed stakeholder input into this process

*Implementing TCF will be a key component of the FSB’s enhanced market conduct mandate*
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.
# TCF structural model

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<th>Pillar 1: TCF Framework</th>
<th>Pillar 2: Implementing TCF</th>
<th>Pillar 3: Incentives &amp; deterrence</th>
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<td><strong>Firms</strong></td>
<td>Regulatory framework</td>
<td>Culture &amp; governance</td>
<td>Disclosure &amp; reporting</td>
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<td><strong>FSB</strong></td>
<td>Supervisory framework</td>
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<td><strong>Support</strong></td>
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<td>Regulatory co-ordination &amp; information sharing</td>
<td>Consumer education &amp; awareness</td>
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Some likely points of debate

- The scope of TCF for complex value chains – “retailer” and “wholesaler” accountabilities
- Allocating responsibility between manufacture and distribution
- Striking a balance between sufficient regulatory guidance and flexibility
- Product intervention - how far should regulation go?
- Legacy products and practices
TCF and the role of the actuary

- Dependence on statutory actuary as the judge of product appropriateness – is this desirable?
- Is the actuary’s “reasonable benefit expectation” view a TCF judgment? Which of the “twin peaks” is the actuary’s domain?
- What is the actuary’s contribution to TCF across the product life cycle? And across the value chain?
- How can actuarial data be used in TCF MI?
- Where does the actuarial function fit into TCF governance structures?
- What is the actuary’s role in the trade-off (if any) between TCF and profitability?
Current status of TCF Roadmap

- TCF self-assessment pilot close to final – 20 participants, with multiple licenses
- Feedback report and revised self-assessment tool to be issued
- Benchmark / baseline study to be carried out in new year
- TCF regulatory framework - analysis underway through TCF regulatory framework SC (ASSA represented)
- Internal supervisory framework review underway – as part of twin peaks regulatory reform work
- Implementation target remains 2014
Thank you