



Achieving a “no surprises” culture

Mr James Shipton, Executive Director of the Intermediaries Division, emphasised that it is the senior with General Principle 9 of the Code of Conduct². He encouraged senior management to take ownership of regulatory issues and to ensure a change in attitudes, conduct and culture. Their genuine and dedicated commitment is crucial in setting the tone from the top, which needs to be cascaded through a strong tone in the middle.

Mr Shipton added that it is vital to put in place effectively run and consistent control systems that in turn require delineating specific management responsibilities and ownership of those controls. Noticing that a degree of scepticism, cynicism and regulatory fatigue has set in across the industry, he acknowledged that there is still some way to go and that the industry, particularly senior managers, need to adopt a proactive, and not just reactive, attitude to conduct, culture and behavioural issues.

firms should be mor
issues arise. Efforts must be directed toward achieving a culture of disclosure, openness,

No compromise on enforcement

unrelenting approach has been to pursue criminal, disciplinary or penal sanctions as well as remedial outcomes against both individuals (including senior management) and firms. The Lehman Brothers Minibond cases were a classic example of how the SFC conducted top-down investigations, scrutinising the management problems which gave rise to the issues uncovered. Mr Steward added that active management by decision makers is the best defence.

He said firms have been prepared to protect senior management from liability by agreeing to pay substantial remediation to affected investors and the SFC will continue to seek these types of outcomes but that senior management, in particular, ought not expect to escape disciplinary consequences for management failures that give rise to misselling problems, where that occurs a second time.

at more than 300
Compliance Advice letters were sent out last year, many of which fell under the senior management and corporate responsibility category and touched on new areas such as IT-related systems issues. These letters are red flags for compliance which should not be ignored.
