

Soapbox#3: Re-brand your reputation: pursue the regulatory logic

NeMa Athens

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Quis custodiet ipsos custodes?



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Everyone has a divine ruler within himself. It is better for everyone to be ruled by divine reason, preferably within himself and his own – otherwise, it must be imposed from without.

Socrates

Office of the Comptroller of the Currency: Management of Third Party Relationships

Planning	Due diligence and third party selection	Contract negotiation	Ongoing monitoring	Termination	Oversight and accountability	Documentation and reporting	Independent reviews	Supervisory reviews
<ul style="list-style-type: none"> Inherent risks Strategic purposes Complexity of the arrangement Benefits vs costs Effect on other initiatives Effect on employees Impact on customers Security implications Contingency plans Relevant laws and regulations Consistency with corporate policy Selection/ monitoring Board approval 	<ul style="list-style-type: none"> Strategies and goals Legal and regulatory Financial condition Experience/reputation Fee structure/incentives Qualifications of principals Risk management Information security Management of IT systems Incident reporting Physical security Human resources Reliance on sub-contractors Insurance coverage Conflicting contracts 	<ul style="list-style-type: none"> Nature and scope Performance measurement Responsibility for information Right to audit/ remediation Responsibility for compliance Cost and compensation Ownership and license Confidentiality and integrity Business resumption Indemnification Insurance Dispute resolution Limits on liability Default and termination Customer complaints Sub-contracting Foreign-based third parties OCC supervision 	<ul style="list-style-type: none"> Business strategy Compliance Financial condition Insurance coverage Key personnel Risk management Adjustment to new threats IT used Response to disruptions Reliance on sub-contractors Conflicts of interest Integrity of information/systems Consumer complaints Remediation of complaints 	<ul style="list-style-type: none"> Time to transition Risks to data Joint IP Reputational risks 	<ul style="list-style-type: none"> Board Senior management Employees 	<ul style="list-style-type: none"> Inventory of critical relationships Approved plans for third parties Due diligence Analysis of costs Executed contracts Risk management reports (e.g. SLAs) Reports to board on controls Reports to board on independent reviews 	<ul style="list-style-type: none"> Strategic alignment Managing risks Managing breaches and disruptions Managing complex risks Life cycle management Staffing and expertise of DD Roles and responsibilities Conflicts of interest Managing concentration risk 	<ul style="list-style-type: none"> Assessment of ability Discuss risks with management Review remediation of deficiencies Cite deficiencies in reports of examinations Recommend supervisory actions Formal enforcement actions Consider the findings in CAMELS ratings. Reflect risks in overall assessment
13 points	15 points	18 points	14 points	4 points	3 points	8 points	9 points	7 points

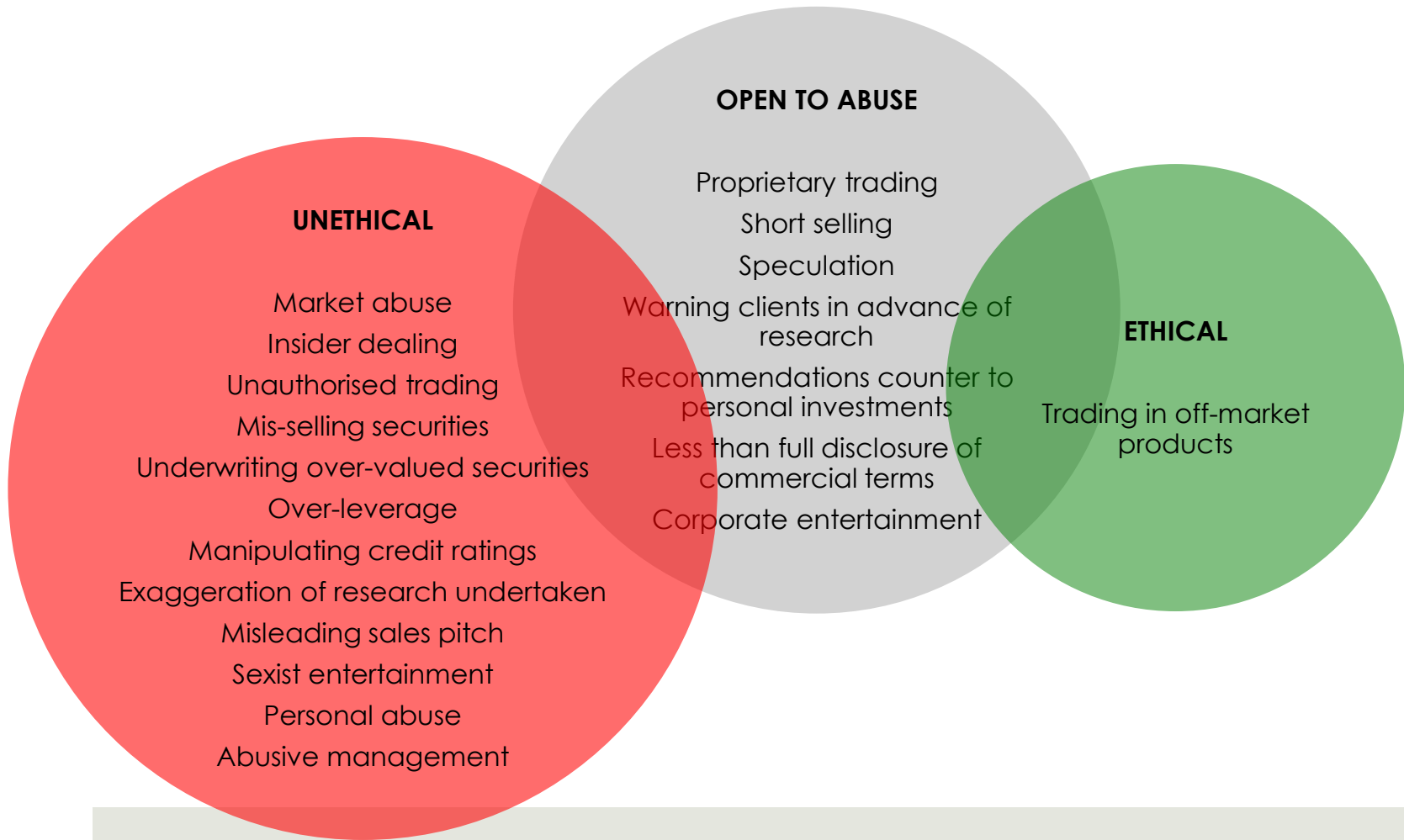
Trust is like the air we breathe. When it's present, no one really notices. When it's absent, everyone notices.

Warren Buffett

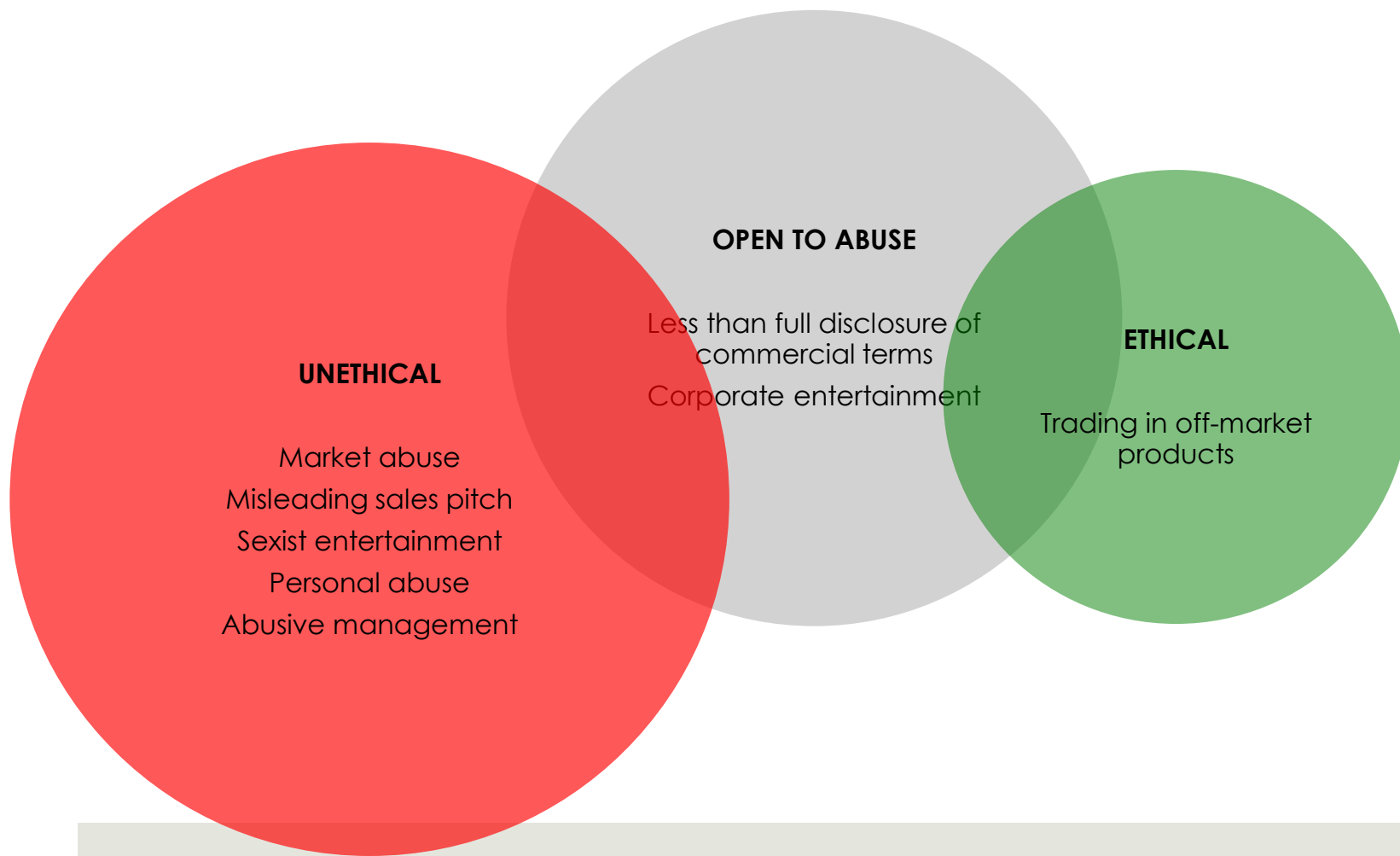
We feel as if we had to repair a torn spider's web with our fingers

Ludwig Wittgenstein, Philosophical Investigations 106

Ethical dilemmas facing banks



Ethical dilemmas facing trust companies



Which custodian bank is this?

Security – Our focus is only on keeping our client's assets safe and secure, **we do nothing else**

Custody and fund administration is the core focus of our business; **we do not divert resources into other activities such as Asset Management**

We work on the client's behalf and have short communication lines so they can ensure they are always able to reach the right people

We have a nimble approach to Network Management that ensures we get the right information from our Sub-Custodians to ensure we know the status of client assets

Our Trustee & Depository service acts as a "super-custodian" to ensure clients get more than just being AIFMD-compliant

We are renowned for our low-risk profile, which is emphasised to every employee of the bank, regardless of their function. We screen every potential client to ensure they reflect this risk profile

Integrity – **We take a neutral approach and are a "pure player,"** we focus on what we do best so you can focus on making your service "Best in Class"

We believe that any information or data belongs to the client; therefore, we always display what they need in a **transparent manner**

We ensure we have no conflicts of interest, therefore we believe it is important to take a neutral approach that gives clients the ability to use any information as they need

We don't aim to provide advice that would work to our advantage – we don't try to get two bites of the same cherry

Independence – We work directly for our institutional clients, not their providers, **we remain free of conflict**

We only work for the asset owners (pension funds, wealth managers, private banks, funds) not their managers

We don't undertake any activity that competes with the interests of our clients

Transparency – **We always act in an open fashion** and see ourselves as your governance partner.

For our added value services **we typically don't operate an a basis point model** but work with the client to understand the scope of the work and then agree a set price at the outset

We work with clients in an ongoing feedback process and ensure we provide them with accurate information in response

Insight – Our experience informs everything we do and helps us provide the best possible information to clients.

We are known for being "ahead of the game" when it comes to predicting regulatory change and use our experience to pre-empt this on behalf of clients

We work collaboratively with industry partners to ensure we provide clients with the information they need to run their business, **we are not precious about our IP but believe in sharing openly**