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The industry must focus on developing a *Cultural Surveillance* capability to meet the Conduct challenge

**POV provided by Maurice Evlyn-Bufton,
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POV: The Industry must focus on developing a Cultural Surveillance capability to meet the Conduct challenge

By revisiting the evolution of the industry's approach to conduct over the years, the Asia COO Conduct Forum's aim, held recently, was tasked to identify specific areas for deep-dive discussions to be held within subsequent forums. These more specifically known as AW COO Cluster Calls (6 – 8 COOs attending), to be undertaken before year end, all held under Chatham House Rule. To drive the conversation to this end objective, the following questions were asked:

“ How do you marry technology, process, and training to deliver an effective Conduct Framework? ”

“ How do you best protect your organisation against insider threat? ”

It was not surprisingly concluded it is a multi-faceted reliance on technology, well defined processes, and procedures, which must be married to leadership (*at all levels*), culture and purpose, that will deliver a robust, reliable, working and value-add Conduct Framework. Easily said, not so easily done.

Technology and the *art of the possible* opened the debate, where the capture and use of data enabling you to move to a predicative, forward looking line of attack (as opposed to defence) and therefore being on the front foot, was seen as the fundamental adaptation needed to reposition the industry's efforts in grappling with Conduct. In doing so enabling you to undertake material, as opposed to judgemental, horizon scanning and to evaluating emerging risks more effectively. This falling under what we classify as **threat management**.

The aging debate over in-house as opposed to vendor selection appears to be moving strongly in favour of external innovation and product development, as opposed to the historical reliance to design and build internally, *'there is an irreversible move to accepting that banks are not technology houses and can no longer compete on cost or within innovation with the open (technology) market'* one COO commented. The challenge of sourcing and engaging with the FinTech community remains, although this area we believe presents opportunities for cross industry collaboration (*within controls and conduct*).

The conversation moved from the technical domain to the human, one participant and leading Conduct executive noting 'increasingly our focus is shifting from the technical to the human sphere of influence to meet the challenges presented by Conduct'.

Prompted by this contribution, we outlined our evolving thoughts, to be captured within an academic study, on the concept we have classified as **Cultural Surveillance**. This is explained at the highest and simplest level as being (literally) the ears and eyes of the business that make up the invisible control and defensive framework of a company, where MI5 was noted as an organisational example where its very existence relies on this cultural necessity being present.

It is our opinion that this invisible supervisory capability is roused and energised by purpose, effecting a heightened level of intuition and is intricately linked to a philosophy that offers all employees the stage to *speak up - speak out* on any matter that they, as an emotional stakeholder in the franchise, perceive as being a institutional or material threat to the running of their company. This sense of doing right, of protecting the business and therefore also your colleagues, is a cultural aspiration for many but is achievable and if attained will deliver highly effective Cultural Surveillance.

Supported by technology, process, and procedures (and none in isolation), it was argued it acts (or could act if present) as *the* primary tool to defend a company against **insider threat**. Statistics and industry COO and Chief Control Officer opinions strongly support this notion, that colleague disclosure is a far more prolific at detection and uncovering misdemeanour than technological surveillance. The latter, some argue, acts more effectively as a deterrent than as a proven or equal participant in detection or as a discovery capability to human intuition and observation.

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This supposition does not account for the potential of evolving technologies that focus on behavioural analysis and predictive analytics, but even with such advancements, such technologies will at best be able to more effectively partner human observation as opposed to replace it. This especially so where human observation has been heightened and become a cultural norm, manifesting itself as a Cultural Surveillance capability.

With conversation flowing, we moved quickly to summarising where the industry is today and that despite the monumental effort and investment of the industry over the last decade, such misdemeanours, poor practices and deceits sadly and almost unbelievably continue.

The question arose therefore, not so much to 'why invest in the conduct agenda, in developmental and leadership training and technologies' but how do you build a commercial case for doing so, that will enable the industry to continue to invest in, grapple with and resolve its sickness?

This sickness has been controlled via a regulatory lockdown but still requires a preventative vaccine. This vaccine many believe is to be born from a continued evaluation and investment in individual company's and by extension the industry's *culture*. Ironically, extending the medicinal metaphor, the term 'culture' is extraordinarily relevant*.

It was concluded that you must ask yourself repeatedly, why should we do this?

A point of future debate perhaps:

- It is not because you must do it through regulatory necessity
- It is not to deliver a commercial return on this investment
- **It is because it the right thing to do**

The right thing to do, why? Simply because the banking industry is the steward of the world's finances, where ethical behaviour is the basic assumption those that entrust this stewardship set their expectations. Therefore, the industry has an obligation to meet these expectations.

Such an investment would liberate the possibility of a working environment where Cultural Surveillance becomes the unseen control framework that enables businesses to operate safely, efficiently and with their employees working to and within a purpose that delivers:

- enhanced productivity and profitability
- meets, exceeds the regulatory requirements

By doing the right thing, you may well, more than likely deliver upon the commercial and regulatory imperatives that have to date have shaped and driven actions undertaken to address the challenge of conduct. However, a decade of investment has shown that whilst the industry's undoubted efforts and accomplishments have taken the patient from ICU into a recovery ward, this patient has not yet been let go from the hospital on the basis of good health and all symptoms cured.

* Culture : In microbiology, the propagation of microorganisms in a growth medium. Any body tissue or fluid can be evaluated in the laboratory by using culture techniques to detect and identify infectious processes. Culture techniques can be used to determine sensitivity to antibiotics.

Actions: It was agreed that Simon Longden and Gordon Grant (Armstrong Wolfe Partners) would engage in 221 follow up conversations with attendees to define the subjects for subsequent debate, oriented to technologies, leadership and reviewing the governance and 3 lines of defence model.

For detailed conversations contact s.longden@armstrongwolfe.com or g.grant@armstrongwolfe.com

For more information and/or to participate in the future debates and COO Cluster Calls (at managing director level) please contact r.reid@armstrongwolfe.com



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