# UK Retail Financial Services Centre of Excellence

Retail financial services and building societies newsletter

Summer 2013

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Welcome

Welcome to the Spring edition of our financial services and building societies newsletter designed to give Business and Internal Audit leaders insight into the topical issues we are seeing in the market.

The financial services industry’s growing confidence is evident from its increasing focus on the longer term view and plans for capital investment. Improvements to efficiency are seen as the leading priority, as firms seek to defend their profit margins and prepare for future growth. Investment in IT is also being driven by the need to upgrade existing systems and avoid the danger of limited capacity. The range of regulation and costs of regulation are climbing but organisations are adapting.

Against a backdrop of increasing competition, business, regulatory, operational and systems change there is the need to manage risk effectively. This edition provides a fascinating view into new and emerging regulation such as changes to CCA, cyber security, risk embedding and assesses Sustainability’s increasing influence on financial services.

We very much hope you find this edition of interest. Should you wish to discuss any of the areas covered or if we can help you understand, assess or address any of the areas reported, please do not hesitate to contact me or the key contacts named.

Please continue to share with us your views on this newsletter and suggestions on how we can maximise its value to you going forward.

Best wishes

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Investment in risk management and the quality of risk management activities varies enormously across industry sectors, geographic regions and between individual firms. This can also be seen at a micro level, with the perception of risk management and application of risk management practices varying within an organisation from person to person at every level.

Mitigation of risks where losses are frequently experienced is commonplace due to the relative ease in quantifying the financial benefits and the immediate impact on the bottom line. Mitigation of lower probability but higher impact risks can often be a harder case to make. While the potential financial reward might be clear (and sizeable!) this will only be realised if and when such a risk event occurs.

To appreciate the need for investment in the mitigation of low probability/high impact risks, and indeed investment in enterprise risk management as a whole, organisations must appreciate the probability of risk events occurring and be open minded to the possibility of major risk events.

Unfortunately for many organisations, the necessary investment in risk management often takes place too late, and only in response to failings identified through:

- experiencing a significant risk event;
- deficiencies identified by the Regulators; or
- industry-wide risk events.

As a result, an organisation may experience a dual impact: the initial effect of the risk event and the disruption caused by needing to make immediate, wide-ranging enhancements to their risk management framework.

**Avoiding surprises**

The most effective and sustainable way of consistently identifying and managing risks is to operate with a robust risk management framework which is embedded in the operation of an organisation.

Benefits of a robust risk management framework:

- increased focus on risk management at all levels;
- consistent risk management practices within the organisation;

- higher quality risk reporting and management information;
- alignment of resources with the most material risks; and
- reduction in losses arising from risk events.

Risk events and findings from Regulators have consistently identified issues with:

- risk management governance;
- risk framework effectiveness;
- risk appetite and reporting; and
- skills and technical resources.

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*Once risk framework enhancements have been delivered an organisation may think the job is finished – it isn’t!*
**PwC’s risk framework review**

In response, PwC have been working with a number of organisations to review the effectiveness of risk management and whether their risk management framework is fit for purpose, scalable and operating.

We have invested heavily in understanding the elements that constitute leading edge risk management practices. Using our extensive knowledge and experience of working with and in a wide variety of different organisations and risk management functions, we can assess against key criteria using our judgement as to how the relevant process compares against good practice.

Our Risk Framework Review is based on nine key dimensions. Against each key dimension we have defined a series of control objectives which we assess during the review.

**PwC Risk framework review**

1. Risk strategy
2. Management information
3. Risk profile
4. Policies and procedures
5. Risk appetite
6. Technology
7. Governance structure
8. Skills and resource
9. ICAAP
Embedding risk management – risk is a business-as-usual activity, not a project

Many firms have invested a significant amount of time, effort and money developing a risk framework for their organisation in response to deficiencies identified by Regulators or after experiencing risk events. The need to respond quickly to make enhancement to the risk framework in these circumstances often means that the improvements are treated like a project. Once the enhancements have been delivered an organisation may think that the job is finished – it isn’t!

The risk framework does not exist to be admired from afar. It exists to support a positive risk management culture. If the risk framework is not embedded, and hence consistently and effectively applied, then an organisation will continue to be susceptible to risk events.

Proper application and execution of the risk framework is just as important, if not more so, than the risk framework itself. The quality of risk management inputs and outputs is a key differentiator – decision making will only be as good as the information it is based upon.

Enhancing the risk framework is the first step of a cycle of improvements to advance the risk management in an organisation. Changes must be reinforced if they are to stick.

The risk framework needs to be applied to every-day business activities at all levels, in all areas and monitored to ensure it is operating effectively.

Framework... ‘A skeletal structure designed to support or enclose’

‘The risk framework should be treated like any other control – as well as being assessed for design adequacy it should also be assessed for operational effectiveness’
**PwC’s risk embedding review**

To assess the operational effectiveness of risk management in an organisation we have developed the risk embedding review.

Even organisations with a sophisticated risk management framework still suffer lingering issues with risk management culture and the quality of risk management because they have under invested in embedding and reinforcing risk management.

To identify and address these issues we assess the organisation against seven categories with specific outcomes to provide a clear view of the operational effectiveness of risk management.

**Addressing the problems**

Following a risk framework review or risk embedding review we can also assist your organisation with creating and implementing a plan to deliver our recommended improvements utilising the skills and experience of our subject matter experts.

This support may include activities such as:

- Facilitating workshops such as: risk identification; risk scoring; risk appetite; and developing key risk indicators.
- Provision of bespoke risk methodologies, materials and approaches.
- ‘Good practice’ training on assessment of risk.
- Recommendation of appropriate governance structures, risk department operating models and risk communication plans.
- Development and facilitation of a programme of operational risk scenario workshops to assess exposure to extreme events.
- Enhancements to existing documentation such as: risk policies; terms of reference; Assurance maps; and management information.

**Including a review of risk management as part of your audit plan**

Incorporating a review of risk management into your organisation’s internal audit plan adds to the value provided by the audit function and addresses a key point set out by the CIIA in the guidance it issued in July 2013 on ‘effective internal audit for financial services’:

> “The board and the CEO should ensure that the internal audit function evaluates both first and second line of defence risk management activities as part of its internal audit plan and provides assurance on the effectiveness of the governance of risk, including how both lines of defence operate.”

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**Key contacts**

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Sustainability’s increasing influence on financial services

Why is sustainability a strategic business issue?

Rebuilding trust, brand reputation and meeting an increasing regulatory burden have become dominant short-term business focuses for the financial sector. In addition to this seemingly ‘new normal’ business environment, financial services organisations face a further set of complex and disruptive business trends which need to be managed. These sustainability ‘megatrends’ include growing water/energy use ‘gaps’, climate threat, rapid population growth, community displacement and exceeding natural resource constraints. The impact of these megatrends needs to be considered not only across an organisation’s own operations, but also its assets and investments, where the leaders in this space are building a skills advantage. Increasingly, this is demonstrated in the sophistication of reporting and communications, where leaders seek brand affirming status from their sustainability strategy and operations.
Effective sustainability within financial services

**PwC’s view**

We believe that sustainability has an important part to play in how the financial sector builds trust, demonstrates the value of its operations and investments, and manages risk. Some organisations have already raised the bar, increasing the transparency of both social and financial impacts of their operations and investments, identifying new markets and products, and identifying and evaluating key strategic risks across their operations and investments. The development of a coherent response to the evolution of sustainability impacts requires an integrated approach that considers:

**Strategy and governance**
- The affect of sustainability issues on medium to long term strategy, such as asset devaluation and risk, new markets, new products and services.
- How sustainability issues impact on customers and how they may act as a differentiator.
- Whether suitable governance structures are in place to embed sustainability and manage risks, opportunities and key messaging for brand and impact on values.

**Supply chain/value chain**
- The impact to the organisation through its supply chain/value chain operations and key interdependencies – potential for business disruption, brand impact or new opportunity and innovation.
- Impact on local communities from spending profiles, e.g. sourcing from local communities and businesses and the economic impact of such spend.
- Environmental impact within the supply chain and the ability to influence.

**Performance management**
- How will revenue, cost savings, cost avoidance or brand enhancing activity be driven by any activity?
- What systems are in place to monitor, record and report – are these integrated with broader ERM systems?
- What performance metrics are required, how will these drive results, have results been satisfactory to date?

**Reporting and assurance**
- How will you report upon your strategy and operations in a manner which resonates with stakeholders and build trust and brand enhancement?
- What positions should you take regarding voluntary reporting and disclosure, how can you maximise impact?
The link between sustainability issues to the delivery of core business has not been given sufficient management time by many organisations. For example, only 15% of the FTSE 350 organisations provide a clear link between sustainability issues and delivery of their business strategy.

The financial sector is no different to the broader FTSE business sectors. The majority have yet to truly incorporate sustainability into their core operations, longer term plans or reputation building activity. In financial services this may impact not only through their own organisational operations and supply/value chain, but also through their investment portfolio and individual assets or investments.

This is partly because the platform to build the case for sustainability is not clear or articulated into useful management information, nor the risks and opportunities fully understood.

PwC have developed a diagnostic with the aim of addressing this with the objective to identify the challenges that have the greatest effect on managerial decision making, and to determine which challenges pose the biggest risks and opportunities.

The diagnostic is the first of a five part programme to embed sustainability within your organisation. It is a flexible approach that can be used at a product, brand, portfolio or at the organisation level:

1. Integrated approach diagnostic
2. Impact pathway
3. Reporting and brand
4. Pre-assurance
5. Embed and mature

For further details of our diagnostic, or to discuss any specific Sustainability requirements, please contact our Sustainable Business Solutions team.
Across the firm we work closely with the Financial Conduct Authority (‘FCA’) and this allows us a valued insight into their key areas of the focus, particularly the pains that are on the minds of supervisors. With the transfer of the regulation of consumer credit to the FCA approaching in April 2014, we share below some of the showstoppers and pinch-points that we commonly see in the authorisations process. This list is not intended to be exhaustive, however gives an indication of some the regulator’s areas of focus.

On the whole the application and authorisations process for consumer credit firms will be very similar to the existing approval process for financial services firms. This will require detailed information on:

- Business plans
- Business strategy
- Approved persons
- Controllers and resources, including IT and systems resilience.

Firms need to acknowledge that as existing firms, the regulator will seek to understand previous trading history, such as complaints, profitability and applicable management information. We also expect the regulator to use the authorisations process as a gatekeeper mechanism to fully explore the credibility of business plans alongside the supporting systems and controls. The business plan and accompanying application pack are therefore vital at setting the right scene and tone for a firm.

**Governance**

It goes without saying that the regulator is interested in the skills and experience of the senior management team. However, the regulator will also seek to establish whether senior management understand the extent of their fiduciary duties under the approved persons regime.

Existing directorships of independent non-executive directors, where applicable, should be assessed to identify any potential conflicts of interest and the measures in place to mitigate any such conflicts.

**Committees and management information**

The business plan should contain sufficient detail on the reporting lines of all committees and how they feed into the board. In particular, the flow of MI and the challenge the board will be able to provide to the committees.

Clarity needs to be provided regarding how committees interact and relate to one another, in particular where there is an executive and board level risk committee. Consideration should be given to all underlying committees and how they interact with the board.

We have seen the FCA ask for specific detail on KPIs (key performance indicators) and KRIs (key risk indicators); how these will be reported and monitored by the board and relevant committees, in particular in relation to conduct and operational risk.

**Business model**

Where a firm has significant growth intentions, these should be accompanied by detail on the scalability of systems and controls to manage the increased risk.

**Customer**

Setting out a customer journey demonstrates how customer objectives will be achieved. The journey should include how are risks to good customer outcomes are identified, managed and mitigated effectively.

Where operations are outsourced, detail should be provided on how oversight is provided to ensure that good customer outcomes are protected. This includes demonstration of how senior management are satisfied with supporting IT systems and infrastructure.
How we can help

The FCA application will be central to the success of your objectives as it is the vehicle through which you will formally communicate how you will meet the regulator’s requirements. The FCA expect the application to be owned by the business, however we can provide a range of services to support you through each stage of this application (see attached diagram), including subject matter expert (SME) technical support, guidance, challenge and review of the documents you prepare, and drafting support where you need it.

Key contacts

Karen Goodman
07803 455562
FCA authorisations process

**Phase 1**  
**Information gathering**

- Assist you in determining the systems and controls relevant to the business’ activities, alongside review of the completeness of existing controls. This includes consideration for the Principles for Businesses and Threshold Conditions.
- We can carry out a gap-analysis of your current and future activities to understand the relevant FCA rules applicable to your business.
- Clarify financial plans, commercial proposition, governance arrangements and application timeline, including agreement on key milestones leading up to your ‘landing slot’.
- Review current governance arrangements and identify appropriate individuals for approved person applications. We can assist with approved person workshops to provide information on the approved persons regime regulatory and fiduciary duties, along with preparation for Significant Influence Function interviews, where relevant.

**Phase 2**  
**Prepare business plan**

- The FCA’s initial focus will be your business plan; we can help you produce the best possible document, ensuring the commercial proposition is fully supported and the customer journey is evidenced. This includes detail on:
  - operating model, planned activities and related risks;
  - financial resources, forecasts and statements;
  - customers, market environment and competitors;
  - articulation of the business model and its viability, alongside how it supports good customer outcomes;
  - governance arrangements, including assessment of board, management structure, responsibilities and controls; and
  - three lines of defence.

**Phase 3**  
**Preparation of key documents**

- Completion of full FCA application forms, core details and checklist with declarations.
- Completion of approved person forms (Form As).
- Completion of information on controllers, owners and influencers.

**Phase 4**  
**FCA queries**

- The FCA have a statutory obligation to review a complete application within 6 months of receipt and 12 months for an incomplete application. An application is incomplete if information or documents required to be submitted as part of the application pack are not provided.
- The FCA will undertake an initial review of the application, review documents and develop any additional questions.
- We can assist with the response to these queries from the FCA in the run up to their official decision and SIF interview preparation, where applicable.
BOGOF – Behavioural economics

How many times have we been swayed at the supermarket checkout by a buy-one-get-one-free offer? Marketers have long known that we are influenced by our preferences, as well as beliefs and biases in our decision making.

In this example, we as customers prefer a supposedly free incentive to an equivalent price discount. Behavioural economics uses insights from psychology to explain why people behave the way they do; people do not always make choices in a rational and calculated way.

Whilst seemingly theoretical, we are increasingly seeing a focus on behavioural economics and the ways in which financial services firms should be aware of the implications and applications. In financial services behavioural economics can be applied to assess whether customers are making informed, reasoned decisions and therefore whether regulatory intervention would be beneficial.

FCA interest in behavioural economics

In the context of financial services regulation, the Financial Conduct Authority (‘FCA’) has said that some errors made by consumers are persistent and predictable with the application of behavioural economics.

As Martin Wheatley, Chief Executive of the FCA, set out in a speech early in 2013, there are particular behavioural biases, by which normal human thought departs from being fully rational. Biases can therefore cause people to misjudge important facts or to be inconsistent:

- If a box is ticked at the bottom of a contract, we’re likely to leave it ticked.
- If the person dresses smartly and works for a well-known brand name – we trust them.
- If we see a framed professional qualification on an office wall we’re more likely to believe the person we’re talking to.
- If we’re given the right nudges, we’re more prone to miss the particular weaknesses of various products.

The FCA also set out in its risk outlook for 2013 that one of the key drivers of conduct risk was bias and heuristics. The impact of biases and heuristics is particularly significant in financial decisions because, unlike many other consumer choices, a single financial decision can have long-lasting and costly implications. The FCA has said that there is no prescriptive way in which behavioural economics should be applied, however there is an acknowledgement of the importance of understanding the fundamental causes of customer mistakes. This includes self-awareness amongst firms of how their products and services will be interpreted, alongside the type of customer behaviour it may encourage or discourage.
Consumers place undue weight on recent events and too little on far off ones. People can exhibit seemingly unreasonable assessments of the probability of being correct or nothing going wrong. Consumers under estimate uncertainty by basing predictions on very few observations. People expect their current tastes and preferences to remain unchanged in the future. The person being communicated with can perceive the same information as different depending upon how the information is presented. People hold themselves to budgets in different categories and consider decisions in isolation. People simplify complex decisions by adopting particular rules of thumb (heuristics). Consumers make assumptions on the trustworthiness of an individual – by appearance, technique, brand…

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<th>FCA’s top 10 behavioural biases</th>
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<td><strong>Present bias</strong></td>
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<td><strong>Reference dependence and loss aversion</strong></td>
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<td><strong>Regret and other emotions</strong></td>
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<td><strong>Beliefs</strong></td>
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<td><strong>Overconfidence</strong></td>
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<td><strong>Over-extrapolation</strong></td>
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<td><strong>Projection bias</strong></td>
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<td><strong>Decision-making</strong></td>
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<td><strong>Framing, salience and limited attention</strong></td>
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<td><strong>Mental accounting and narrow bracketing</strong></td>
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Applying behavioural economics to improve customer outcomes

The FCA will expect firms to demonstrate an awareness and consideration of how products and services will be interpreted by consumers, and understand how their behavioural biases may influence them to act. These considerations are in respect of the entire business culture, in particular sales processes, staff training and key interactions with customers.

Some of those considerations may include:

• giving information in a way that is not likely to take advantage of consumer weaknesses (i.e. require point-of-sale information to be framed);

• change choice environment for consumers (i.e. require consumers to make an active choice as opposed to being ‘opted in’);

• control product distribution and marketing by only allowing them to be promoted or sold through particular channels (i.e. require complex products only to be bought when accompanied by advice);

• demonstrating that products and services are priced fairly, fulfil a customer need and do not willingly exploit behavioural biases; and

• undertaking consumer insight and customer-centric research.

How we can help

Consideration of behavioural economics sits alongside all the work undertaken to align business culture and practices with ensuring good customer outcomes. In this respect we assist clients with interpreting the regulatory environment and applying regulatory expectations in the context of industry good practice.

We can assist with bottom-up readiness by independently assessing business culture, particularly with respect to sales processes, staff training and interaction with consumers. These assessments can be carried out on a standalone basis, or equally as part of the three-lines of defence control mechanism.

For further information, please contact:

Karen Goodman
07803 455562
Do you have confidence in the risk management of your pension schemes?

The Pensions Regulator (tPR) continues to put trustee governance in the spotlight, with ongoing guidance on expectations regarding the management of defined benefits (DB) schemes and the publication of its first specific Code of Practice over defined contribution (DC) schemes. As such, Trustees need to continually assess how they perform their duties and address risks and conflicts and keep focused on developments in the pensions environment.

It is clear that the key challenge for trustees moving forward is to remain in control of the governance, market and regulatory driven related demands placed on them. In particular:

- the response to funding challenges and the changing approach to investment strategies and achieving greater clarity over long term objectives;
- the ability to address risks and issues and emerging regulation quickly and effectively;
- gaps in trustee knowledge and understanding;
- conflicts of interest;
- a more collaborative relationship between employer and trustees, including clear roles and responsibilities regarding assurance requirements over the scheme;
- greater use of technology;
- effective engagement with members;
- increasing use of third parties and the ability to assess the performance of key advisors;
- difficulties preparing and maintaining a comprehensive risk register;
- greater focus on contingency planning; and
- constitution and composition of committees.

What do you need to do?

The trustee agenda is long and complex. There is an imperative to review the management of your schemes now. The key is matching the governance needs of your organisation to your strategic aims, your size and your risk profile.
Running your scheme as a business

Let’s think about it a different way.

If your pension scheme was a subsidiary entity of your organisation, what would you expect of its management? A business strategy would be a good starting point. Who would you trust to manage delivery of its key objectives? How will management improve the entity’s financial position and over what time period? What funding would they need? What risks would you be comfortable with them taking? And what contingency planning is in place? What oversight and assurance do you require?

It is very unlikely that you would leave the subsidiary to its own devices, why is the pension scheme any different?

Key considerations include:

1. Governance

- Trustees will understand their duties and be fit and proper to carry them out.
- Statutory requirements mean trustees must have both the technical knowledge and the board skills to challenge the trust executive and their advisors in an appropriate way.
- The statutory split of member nominated and company appointed trustees can bring challenges around board skills/experience in some industries. A strong chair is vital in this situation to deal with issues such as conflicts of interest.
- Trustees will ensure that accountability and delegated authorities for all areas of running the scheme are identified, documented, understood, monitored and overseen.
- Trustees will establish and maintain procedures over the effectiveness and performance of schemes advisors and other key service providers.

2. Strategy

- When running any business, understanding your objectives and setting a clear strategy to meet them is vital. Likewise, understanding other stakeholders’ objectives (in particular those of the employer/sponsor, Regulator and members) is important in setting trustee’s aims.
- The key scheme objective will be to pay the correct benefits as they fall due, with secondary objectives around pace of funding and independence from the employer (‘self sufficiency’).
- It is crucial to recognise that the strategy to meet these objectives may change depending on the stage of the business life cycle that the scheme is operating in (new start up, mature insolvent).
3. Risk management

- Trustees will establish and maintain adequate internal controls which mitigate significant operational, financial, regulatory and compliance risks.
- Understanding success criteria and assessing risk appetite needs to be in the context of the scheme's circumstances, in particular maturity and employer covenants.
- Key areas of risk control/mitigation identified by tPR are employer covenant, investment risk and administrative issues (poor record-keeping, ineffective retirement processes).

4. Financial management

- The triumvirate of funding, investment and covenant covers the key financial risks for the business.
- For many schemes, the employer is the largest single asset and protecting the scheme's access to it is key. tPR have issued guidance on monitoring employer covenant. This can be an issue in both ongoing and in transactions situations.
- Trustees need to understand increasingly complex new funding solutions (cash alternatives, contingent funding) and investment strategies (growth vs income, hedging, new investment products). They are also being asked by employers to assist with liability management (removing or changing liabilities and risk transference).
- Trustees will ensure that the investment strategy and objectives are identified, documented, complied with, monitored, overseen and reported against. A suitable default strategy suitable for the needs of the membership is important.
- Trustees will establish controls to review and challenge the continuing appropriateness of investment options.

5. Operational management

- Two key pillars of effective operational management are data quality and integrity (to correctly calculate, pay or value benefits) and effective administrative processes.
- Trustees need to frequently review information looking at key risks and performance, measured against objectives, to fulfil their oversight role. Member communication is a vital part of managing the relationship with the beneficiaries.
6. Regulatory environment

- Trustees are faced with a continuously changing regulatory and legislative environment. Trustees need to keep up to speed and ensure changes are properly consulted on and implemented as necessary.
- tPR policies cover both scheme funding and transactional events as well as statutory requirements on controls, processes and trustee knowledge.

7. Assurance and tax

- The Trustees’ oversight role must be supported via strong controls and processes which must be reported on effectively.
- External and internal audit functions add value to the management framework through recommending improvements and coaching management to make change.
- Internal Audit functions, whether appointed by the employer or the trustee, should be used to provide independent assurance over all areas of scheme management.
- UK pension schemes typically require tax advice on everything from reclaiming overseas tax to managing PAYE on pensioner payroll.

8. Organisational tone

- This is the glue that holds everything together.
- Transparency and openness means mistakes are less likely to be covered up and risks can be more easily managed.

How can PwC help?

We have proven methodologies and experience of working alongside employers, trustees and their advisers to deliver enhanced governance and effective delivery of trustee obligations. We can produce results quickly to assess the effectiveness and efficiency of your governance, risk management and supporting control environment. Our market leading online pensions modelling tool can be used to set integrated risk management plans and monitor them going forwards. We can advise on Internal Audit plans or deliver focused reviews over discrete areas of pension scheme risk.

For further information, please contact:

Key contacts

David Robson
07764 235261

David Billinge
07809 551162
Cyber security
‘Sorry Boss – it’s not if, but when...’

Digital technology provides great potential in helping organisations grow, but with opportunities comes very real and increasing cyber threats. Nine out of ten UK organisations had a security breach in the last year, and the UK government rates cyber-attacks as a Tier 1 threat to the nation.

Introduction
The cyber threat landscape is changing. Many organisations no longer have their customer information, commercial data, or intellectual property physically stored at their primary place of business. Data and products are now commonly digitised and delivery is frequently on demand and no longer physical. Suppliers have also increased in number with relationships often transactional and distant.

The threat
Unfortunately, a cyber-attack could happen to anyone or any organisation, at any time, from any place in the world and at any location – you could call it the ‘Martini scenario’.

The adversary could be a nation state, cyber-criminal, cyber-terrorist, hacktivist or simply a malicious insider or employee.

We are in an age where everything is connected to everything else and organisational borders are no longer simple to define:
- IT infrastructures are virtualised;
- Data is stored in the cloud;
- IT service delivery is outsourced; and
- The use of smart phones, tablets and mobile working is becoming the norm.

Business owners and leaders would be wrong to assume that they are safe from cyber-attacks, and they believe they have no data of any value. With the exception of specific targeted attacks, most cyber security breaches occur as the adversary is simply looking for the most vulnerable system to penetrate. A business should therefore consider what value it places on the information assets it does own, such as client data, commercial data, intellectual property, data held on behalf of third parties and marketing databases.

The response
Organisations are beginning to recognise that they need to reduce their exposure to cyber threats, improve their defences and respond to cyber incidents, as well as address the legal issues around data breaches, data privacy and protection, and implement the right culture and environment where their people understand how to behave and do the right thing.

The vision of implementing absolute cyber security protection is impossible. Therefore, over investing in an attempt to protect an organisation from all threats and vulnerabilities in the ever changing and fast paced world of IT is unfeasible. A more practicable approach would be to implement a robust cyber security risk management structure, identify threats in real time and treat them accordingly. A good day for an information security professional could be described as a net outcome.
Are you cyber savvy? Ask yourself these key questions

- People are your greatest asset and vulnerability. Do you have the right culture?
- What matters most to your organisation? If many of your critical assets are intangible, do you know what and where your key data is? Who has it? And who wants it?

How PwC can help

We offer a comprehensive understanding of cyber security, which can help organisations identify risks and areas of weakness, providing an insight into where attacks are likely to succeed, and the ability to respond effectively.

We can help to prioritise actions and where cyber security investment should be allocated, to protect the business both now and in future.

Key contacts

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Debt recovery is a key element of the business model of any provider of debt or other credit to consumers or commercial entities.

Typically, creditors achieve debt recovery through internal debt collection, outsourcing to a third party specialist agency or the outright sale of debt to a third party organisation. Most major creditors use a combination of these three approaches in order to maximise recoveries.

Debt portfolios sold in the UK include credit card, personal loans, utility, telecommunications, motor, mortgage shortfall and retail debt. Organisations that use debt sale represent a broad spectrum of creditors, including: utility providers, telecommunications, retailers and increasingly government. The biggest player in the debt purchasing market is financial services and in particular retail banks.

Debt is typically sold either through one-off (spot) transactions or more regular and long term (forward flow) agreements. The latter of which exist for a pre-agreed period and provide the purchaser with a supply of new accounts at regular intervals, usually monthly.
Market

- the industry has matured significantly but continues to increase in scale and operational sophistication;
- more stringent regulatory capital and liquidity requirements for banks;
- the emergence of other sectors as sellers of debt are increasing in scale and leading to more sales of defaulted debt;
- political and general public awareness of extreme practices is leading to an increased focus on the consumer finance industry in the media; and
- increased challenge from creditors and other external stakeholders focussing on the operations in place over the collection of debt.

Competition

- the debt collection industry has been consolidating around a number of key industry players;
- debt sellers have tended to resort to panels of tried and trusted purchasers rather than outsourcing collections to DCAs direct;
- competition in the market place is providing creditors with more choice when it comes to selecting a DCA panel;
- collectors are therefore looking to demonstrate why they should be a preferred supplier;
- key factors include:
  - scale and profile in the market place;
  - track record;
  - network of, and relationship with DCAs including niche collectors; and
  - data modelling and analytical capabilities.
- buy-in to and demonstration of changing governance and risk frameworks to manage a changing regulatory environment and compliance.

Key challenges

Organisations operating and competing in the debt purchasing and servicing market currently face a number of specific challenges.

Regulatory

- Impact of regulatory changes as a result of industry oversight passing from the Office of Fair Trading (OFT) to the Financial Conduct Authority (FCA);
- Emerging new regulation such as changes to Consumer Credit Act (CCA) and the EU Data Protection Regulation;
- Regulator understanding of the debt industry; Concerns over arrears management and the treatment of vulnerable customers; and
- Increased requirements and expectations for enhancements to governance structures and risk frameworks to meet the new regulatory challenges.

Operational

- there is significant overlap between key players. Many of the larger debt collection agencies have also purchased portfolios of debt in recent years while several debt purchasers have carried out debt collection on a contingent basis;
- proliferation of business models, for example, in house, outsourced or hybrid of approaches;
- debt Sellers (‘creditors’) have become more discerning in their choice of purchaser;
- larger sellers are reducing the size of their panels, driving the need for scale, sophisticated data capabilities and a robust track record for compliance;
- the types (e.g. insolvent/commercial debt) and profile of debt (e.g. fresher) for sale continues to change leading to increased competition, increased funding requirements, changing collections strategies and potentially lower returns;
- governance of the outsourced debt collection supply chain particularly where debt will go through multiple placements; and
- the need to ensure IT systems and operational capabilities to repair data, identify and locate individuals and assess personal circumstances via data analytics is key.
**The risk landscape**

Key risks that need to be managed effectively include:

- Strategy
- Regulation
- Governance
- Technology and infrastructure
- Data models
- Cash management and treasury
- Financial crime
- Legal

These factors are resulting in a strong industry drive and focus on compliance and increasing consolidation of debt buyers and DCAs as they struggle to balance cost effective operations against the cost of governance, compliance and quality.

**How we can help**

We have significant experience in the debt purchase and servicing market and extensive experience in the industry through the continuous improvement performance programme we developed with the debt buyers and sellers group (DBSG) and now perform for members of the credit services association (CSA). We can tailor our support, advice and insight to organisations in a of different areas:

- Managing the transition from OFT to FCA and guiding organisations through the FCA authorisation process;
- Helping with IPOs;
- Reviewing and strengthening governance structures and risk frameworks including help in implementing the three lines of defence model recommended by the FCA;
- Implementing robust second line compliance monitoring and third line internal audit functions (on a fully outsourced or co-sourced basis); and
- Helping organisations understand, manage and monitor conduct risk.

**Key contacts**

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Big Data – Why Big Data is a big opportunity

Data is growing at an exponential rate from diverse and complex sources. It is becoming extremely difficult to manage using traditional data management systems. Data tools and techniques can offer analysis of previously undervalued or unexploited data, giving fresh insight into customer behaviour and business performance, which in turn can drive competitive advantage.

Many financial services organisations are unsure of what Big Data could mean for their business, how developed their data governance and processes are and how mature they need to be to best use, both their own structured data and the wider unstructured (Big Data) to their advantage. Big Data is a hot topic, but few businesses have their own internal data management processes in order to maximise the potential of their data assets. For example, only organisations which can gain new and faster insight or distil and appraise social media customer sentiment will be most successful. Big Data will give you the information you need to change the way you run your business.

The purpose of this article is to:

- define exactly what exactly Big Data is and why it is important for your organisation;
- how to prepare your organisation for Big Data; and
- show Big Data in action – Social Media Analytics.
1. What is Big Data

There are three fundamental questions PwC gets asked when discussing Big Data with clients:

- What is Big Data?
- As an Organisation, do I need to be concerned about it?
- How do I drive a sustainable commercial advantage from it?

We will review each in turn.

**What is Big Data?**

Big Data is large data sets of both internal and external data which cannot be analysed using standard analytical techniques. Big Data is not a new phenomenon. Throughout the digital age, organisations have been constrained as to how much data they can process by machine capabilities and capacities. Only now, due to increased processing power, alternate storage mechanisms and revised processing techniques such as Hadoop, can large data sets be analysed efficiently. We look at data across four key dimensions:

**Volume**

Volume relates to the amount of data which your business has access to. Data volumes are growing year on year. Being able to harvest pertinent data is crucial to continued organisational success.

**Variety**

Data is now available from an ever growing variety of sources.

- Structured data – numeric or database tables etc.
- Unstructured data – emails, SMS, video, audio, PDFs, social media etc.

Understanding and harvesting relevant data sets is critical in maximising the value Big Data assets bring to your organisation.

**Velocity**

Data is now streaming at an ever increasing rate. Social media sites such as Twitter now mean that events are relayed in near real time. The speed with which organisations need to capture and analyse information for it to have a business benefit is increasing.

**Veracity**

The Cambridge Dictionary defines Veracity as, ‘The quality of being true, honest or accurate.’ Adding external data sources brings with it a degree of uncertainty. Much time will have been spent ensuring the accuracy of your base internal data through your ETL (Extract, Transform and Load) and data governance processes. However, when we start to consider external data such as Twitter feeds, how can you be sure that it actually paints an accurate picture of true customer sentiment or is the most up to date position?
As an Organisation, do I need to be concerned about it?

PwC’s IQs survey, polls C-Suite executives to understand their views on the value of technology and the benefits brought by weaving it into their business infrastructure. The survey boasts 1,100 respondents from 12 countries across North America, Europe, and Asia Pacific and numerous industry sectors. 62% of respondents to the survey believe that Big Data will help support driving a sustainable commercial advantage for their organisation.

Organisations need to understand what they want from big data. It is not right for every business problem nor is it right for every organisation in every industry segment. Competitors will be using Big Data to drive fresh insight or find inefficiencies in markets which they can exploit.

How do I drive a sustainable commercial advantage from it?

Big Data can help answer key questions which influence business strategy and ultimately drive a commercial advantage. This includes:

- creating a true customer view across all their product holdings;
- understanding what your customers think about you, your products, price or service;
- understanding when it is the optimum time to contact customers to maximise your up-selling or cross-sales opportunity;
- understand how best to maximise the effectiveness of your workforce through resource optimisation;
- detect fraud faster to minimise your exposure; and
- better understand which customers are going to default before they do, allowing you to minimise your exposure and reduce LGD (Loss Given Default).
2. How do I prepare for Big Data?

Big Data provides a significant opportunity for financial services companies but preparing can sometimes prove difficult. The biggest challenge is converting Big Data to Little Data which provides relevant, timely and focussed information to answer specific business questions at all business levels. This necessitates a sometimes radical change in organisational technology, operations and culture.

- Strong data governance framework.
- Relevant technology platform and capability.
- Data visualisation tools.

The first step in adoption is to understand exactly where your organisation’s key competencies and experiences are and what gaps exist which need to be remediated. A data maturity assessment provides an enterprise-wide view of governance, people, processes and technology. This will both guide and inform on the opportunity for data, areas of required improvement, and the current maturity of the organisation when dealing with data in general. Gaining a view of maturity across all data processes will dictate the next steps towards fully realising the potential of your data assets.

PwC uses its proven data maturity methodology to review an organisation’s competence regarding Big Data. We look across the standard dimensions of people, process and technology as well as governance and data quality. Each of these dimensions is then appraised across the PwC data lifecycle:

**Capture**
- How is information captured and how is data quality retained throughout this process?
- Who are the data suppliers, customers and owners and are these adequately identified?
- Are the key data attributes identified including retention, type, volume and quality?
- Are the tools and techniques appropriate for capture methods?

**Store**
- Are the extract, transform and load processes defined and documented?
- How is physical and logical security maintained throughout the staging and transfer processes?
- What data quality checks confirm completeness and accuracy?

**Transform**
- How is information transformed from raw information to something that can be stored and used by the business?
Management information/ business intelligence and analytics

- What capabilities exist in terms of reporting and analytics?
- Does information produced satisfy the organisations need and is it relevant, timely and accurate?
- Is reporting automated, timely and displayed effectively including dashboards and mobile devices?
- Are team members considered experts in their field and can they articulate business issues and provide appropriate solutions?
- Are business operations fully simulated to evaluate decision impacts?
- Are predictive analytics and technology boundaries pushed to fully realise data potential?

Disposal

- Do data retention roles, responsibilities and policies exist and are they defined and documented?
- Is compliance with ADISA (Asset Disposal and Information Security Alliance) disposal and information security standards exhibited?
- How are historical data assets appropriately summarised and archived for future use?

The heat map below, shows an example of completed output. The next step is then to craft a road map to remediate the issues identified to ensure your organisation is optimised to embrace Big Data.
3. Big Data in action – Social Media analytics

Social Media is defined as, websites and applications that enable users to create and share content or to participate in social networking. In essence this is a mechanism for customers, colleagues and other stakeholders to share their view on your organisation, products, pricing or customer service. Social media adoption has grown exponentially over the past decade. The amount of data now shared has increased and continues to grow year-on-year. Organisations which fail to adopt social media as a key aspect of their business run the risk of missing key customer trends and ultimately losing their competitive edge.

Within financial services, your customers’ opinions matter. Whether understanding their perceptions on your brand, product offerings or new products, revised pricing decisions, current promotions or competitor impacts, is critical to harvest their views and understand how your organisation is perceived. Sentiment analysis or opinion mining, refers to analysing words, statements or documents using natural language processing to:

- Detect if an emotion or opinion is exhibited; and
- Define the polarity of the opinion between positive and negative.

Social media can be harvested and analysed to give a current view of stakeholder sentiment. Customer sentiment and opinion is critical in financial services especially in the area of customer service and complaints.

The analysis below shows a sample of UK banks and building societies and what proportion of the tweets regarding their institution, are negative.
The sentiment analysis was performed on six banks and four building societies analysing the content of tweets for the last 150 tweets, ignoring non-branded usage.

While the banks experienced quite a high volume of tweets, it was overwhelmingly negative, with negative tweets representing 46% of total tweets and 73% of tweets expressing a positive or negative sentiment.

Negative tweet topics typically referred to customer service or fees, but often addressed larger national scandals. Neutral tweets often referred to sponsored arenas or sporting events.

Positive tweets typically thanked the twitter team for their response, but this was usually after an initial complaint.

As one user put it, “No-one’s tweeting to say “top banking you guys”.”

Building societies fared a bit better. They experienced a much lower volume of tweets, but were largely neutral or positive, averaging just 15% negative total tweets and 30% of those expressing a positive or negative sentiment.

However, they also do not appear to have a dedicated social media customer service team in the same way the large banks do.
Conclusion

While Big Data is not a new concept, it provides significant opportunities for financial services organisations. Ensuring your organisation is ready to embrace Big Data is the first step on this journey. Big Data can support in the following key ways:

• deepening customer relationships through understanding their needs better and boosting your sales strategy to align with their requirements;
• optimising resourcing strategies to better meet customer demand, both in the branch and telephony estates; and
• adopting predictive analytics to positively impact the credit risk cycle as well as increasing sales volumes.

Should you wish to discuss anything raised in this article.

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“Big Data holds the promise of giving enterprises deeper insight into their Customers, Partners and Business” – Oracle

“The most valuable commodity I know of is information.” – Gordon Gekko, main character in the film Wall Street (1987)

“Big data is a popular term used to describe the exponential growth and availability of data, both structured and unstructured” – SAS

“Big Data provides an opportunity to find insight in new and emerging types of data” – IBM
Building trust and confidence in the insurance industry

The Financial Conduct Authority’s (FCA) overarching objective for the insurance industry is to enhance trust and confidence. Public attitudes towards insurance are shifting and expectations are rising. Regulatory changes point to the need for a new outlook in conduct and culture by both individuals and firms.

The British insurance market has shown great resilience over the past decade, positioning itself as a leading global centre, while surviving numerous man-made and natural catastrophes, as well as traversing the financial crisis and the current low interest rate environment.

Insurance is essentially there to relieve individuals and companies from the fear of things going wrong – and for this to happen successfully there needs to be trust and confidence in the sector. Consequently, it is vitally important for the insurance industry to improve public trust, so that when consumers purchase insurance products and services, they can be confident that these products do exactly what they say they will.

The creation of the FCA was the first step in this journey. As a conduct regulator, the FCA shall be more judgement-based, forward-looking, and outcome-focused than its predecessor regulator was.

The new FCA supervisory model
In order to be a truly successful conduct regulator, the FCA has developed a new and more focussed supervisory model which entails moving from a reactive approach to a pre-emptive and judgment-based approach. This means moving from dealing just with symptoms of problems to addressing underlying causes and moving from an approach that is focussed solely on ensuring compliance with rules, to an approach that encourages firms to do the right thing in respect of their customers and the markets they operate in.

This philosophical change is important because, in experience, when things go significantly wrong in a regulated firm, it is not because it has not complied with a set of narrow regulatory rules, but because there is a fundamental flaw in the business model, in the culture or its business practices. Ensuring firms operates to the highest standards is a cultural question, not simply a control or process challenge. This requires much more than a good control environment. It requires an approach that puts the interests of the customer at the heart of the firm and all aspects of its business activities.

Achieving trust and confidence in the sector
The FCA are considering this in the context of the market through four key areas around how firms are:

1. delegating authorities;
2. considering their financial crime risks;
3. handling claims; and
4. managing conflicts of interest.
1. Delegation of authority

The FCA’s predominant objective for the insurance industry is to enhance trust and confidence. Whilst this can be a particular challenge where supply chains are long and where delegation is a feature of the way things are done, effective oversight over delegation is vital in the insurance market. For many years, firms have viewed such controls as purely prudential in nature. However, these are also vital in a conduct setting. The FCA are still finding that oversight of delegated authorities regularly falls short of standards and should be more robust, with insurers needing to give further consideration to how they fulfil their obligations as product providers and deliver good consumer outcomes through their distribution networks.

In particular, insurers must consider whether those to whom they have delegated authority for underwriting or claims handling are capable of acting in the manner they expect and whether the insurer has adequate information to ensure that their agents are acting properly. Where insurers are outsourcing services to other companies acting on their behalf, they remain responsible for the actions of their agents. As a result, this continues to be a core focus of the FCA’s supervisory engagement with insurers.

2. Financial crime risks

Financial crime is an issue facing firms across all sectors, however the international reach of the insurance market creates an environment where firms may be exposed to a heightened risk of becoming targets or unwittingly facilitating financial crime. Because of this firms need to ensure they have effective oversight in place in respect of financial crime risks.

Work done by the FCA has shown some firms are performing ineffective sanctions screening against their policyholders and claimants as well as taking inadequate care to ensure that insured interests do not breach sanctions law. The FCA has reported that it has seen this in insurers, not only in their direct offerings, but also where they have delegated underwriting and claims handling. They expect their delegated agents to perform screening but are not making this explicit nor doing sufficient work to satisfy themselves that their agents can perform the requisite checks.

3. Claims handling

The FCA is also focussing on how firms demonstrate integrity and consider its customers through the way it handle claims. This differs depending on the sophistication of the customer. For example, for an unsophisticated retail customer, a strict policy interpretation may not be just or in alignment with wider legal requirements. However, this interpretation may be entirely suitable for a sophisticated commercial customer. Therefore, it is important for the claims handlers to know and recognise the requirements for retail claims.

Furthermore, the FCA is currently undertaking a thematic review of claims handling in personal lines across ten firms including some from the London market. This project will report later this year.

4. Managing conflicts of interest

Another important area is the management of conflicts of interest. While brokers have improved their governance and oversight arrangements since the advent of intermediary regulation, broker business models are evolving with revenue increasingly being generated from non-core broking activities. This includes performing more services as agent of the insurer under delegated authority. This potential blurring of the lines between broker and carrier can give rise to conflicts of interest or drives behaviours that may conflict with firms’ duties to their customers.

Many brokers generate revenue from both insurers and their clients for arranging insurance so it is important that they manage their conflicts of interest while ensuring they are complying with their regulatory obligations and keeping the customer at the heart of their business model.

As such, the FCA is currently undertaking a thematic work review into how UK insurance brokers manage conflicts of interest, focussing particularly on those in the SME and micro business markets.
Conclusions

Public attitudes towards insurance are changing, and their expectations are rising. Regulatory changes point to the need for a new mind-set in conduct and culture by both individuals and firms. In an insurance market in a changing world, responsibility for acting professionally to confront the issues and challenges will lie with those individuals and firms in the sector to ensure that trust and confidence is aligned with the traditional strengths of the British insurance market.

How we can help

- Performing conduct and culture reviews.
- Help build and implement leading practice service provider management frameworks.
- Develop of KRIs and KPIs.
- Performing due diligence in advance of contracts being signed.
- Ensure contracts are comprehensive and cover all service, risk, rigour and regulatory considerations.
- Development of strong governance oversight policies in respect of delegations of authority.
- Helping you to understand your risks and recommending enhancements to the control environment to reduce exposure to financial crime.
- Reviewing your claims handling process.
- Performing internal audit reviews over high-level service provider management frameworks, contract governance or performing in depth reviews in the third party operation over selected key business processes.

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Securitisation – Is the phoenix rising?

Mention securitisation and many associate it with the recent financial crisis, but increasingly governments, regulators, central banks and organisations are looking to securitisation as a solution to, rather than a cause of, the ongoing economic and financial problems.

**Background**

Securitisation received a lot of adverse press attention during the financial crisis with a great deal of the attention focussed on US subprime loans, which had been subject to weak underwriting policies.

But why was this an issue? US securitisation structures before the financial crisis did not require the originator of the loans to retain exposure to any future losses. This resulted in moral hazard as the originator had little incentive to focus on credit risk and the underlying underwriting standards.

Therefore when these loans subsequently defaulted, they, and those securitisation structures in which they sat, incurred significant losses.

While this issue was US focussed, the whole securitisation industry was effectively tarnished by the US sub-prime issue. Arguably this was unfair on European securitisations, where even before the financial crisis, the originator would ordinarily retain the majority of the risks and rewards associated with the assets and therefore the moral hazard risk was significantly lower.

However, what the financial crisis did highlight across the securitisation issue was the lack of transparency as to what assets actually underpinned which securitisation structures (e.g. which ones were therefore exposed to the US subprime issue) and how limited the due diligence performed by investors in such structures had been. Many investment decisions were purely based on the rating of the notes.

In response to the financial crisis the industry and regulators have sought to address these issues with requirements for increased transparency, compulsory risk retention by originators and simpler structures. Through these measures the securitisation markets are slowly being rehabilitated.

Securitisation and securitisation techniques have also been used by the UK and European Central Banks as an important tool in providing liquidity to the banking sector and in their efforts to increase bank lending, for example the Funding for Lending scheme, Discount Window Facility and ECB Repo schemes all utilise securitisation technology.

Securitisation can be complex, but when used in the right way, it remains an important funding tool for many companies, both within and outside the financial services sector.

“*It has been subdued for many years, but a rebirth is coming through*”

Damien Thompson, head of asset-backed finance at RBS – taken from UK commercial mortgage backed securities enjoy revival by Christopher Thompson, FT, 28/01/14

“*More banks will come back to securitisation as a funding tool this year*”

Andrew South, senior director at Standard & Poor’s – taken from UK commercial mortgage backed securities enjoy revival by Christopher Thompson, FT, 28/01/14
So what exactly is securitisation and why do organisations securitise assets?

Securitisation enables an organisation to raise collateralised/asset backed funding, secured against specific assets. It is not constrained by the organisation’s own credit rating, thereby giving the organisation access to cheaper funding and alternative providers of funding via the capital markets.

Securitisation in its simplest form is a source of funding which involves re-packaging pools of illiquid assets as securities, with payments on those securities being driven by payments on the underlying assets.

Securitisation is also a risk mitigation tool as there is a true risk transfer to the note holders. Depending how much of the capital structure is sold to third party investors the originator can cap its exposure to losses on the underlying asset pool and/or transfer significant portions of that risk.

The securitisation market

Pre-financial crisis there were markets to securitise all sorts of assets. Since the start of the financial crisis, volumes in securitisation markets have fallen dramatically, with there being little of no activity in certain asset classes, – such as CDOs and CMBS – and only limited issuance volumes in other more mainstream asset classes such as RMBS and Auto ABS. However, markets are now finally beginning to show signs of recovery.

Is the phoenix rising?

Politicians and regulators seem to be increasingly supportive of securitisation markets and there is a growing recognition of their importance to connect the companies that need funding, with the providers of that funding.

As regulators and central banks pull back their emergency liquidity schemes, securitisation markets will once again come to the fore, recover further and provide the liquidity so badly needed by both the banks and companies to support economic growth.

Increasingly we are seeing old issuers returning and new issuers considering securitisation as a viable and core funding option.

The outlook is, of course, not all rosy for securitisation markets and issues remain. The key one being the finalisation of various regulations that impact both directly and indirectly securitisation markets. However, we believe securitisation has a huge role to play in the future of funding the real economy in the UK and Europe, given the lack of any credible alternative of sufficient maturity and scale.

How to undertake a securitisation

Undertaking a securitisation can be a complex business decision requiring the interaction of many functional areas of an organisation and a number of external advisors. But with the right advisors, the fundamentals can be relatively simple.

“The requirement of regulatory capital is mostly de-correlated from underlying risk... it only reflects the worst cases”

Fabrice Susini, head of securitisation at BNP Paribas – taken from ‘Europe asset-backed deals set for return’ by Christopher Thompson, FT, 27/01/14

“A financing vehicle for all seasons that should no longer be thought of as a bogeyman”

Back from the dead by Economist 11/01/14
The first step for a potential new issuer is to undertake a feasibility study, which would include answering the following questions:

**What strategic imperative does it solve?**

**Is there a market for that sort of asset backed paper?**

**Do the expected economics make sense?**

**How does the expected funding cost compare to your current one?**

**Do you have suitable assets that:**
- Can be legally transferred?
- Have stable and predictable cash flows?
- Have a verifiable track record?

**Do we have systems that can segregate and manage the assets?**

**Are there any other issues or advantages to be gained?**

**Will there be investor demand?**

**Is there anything that will make a securitisation impossible?**

Securitisation is a technique that will become more relevant and helpful to more and more organisations as the ABS markets recover. It can be challenging to undertake, but with careful planning and rigorous project management, it is achievable for almost all companies with the right assets. In the future, we see it being a critical funding channel for many companies rather than just an exotic option for a few.

**How can PwC help?**

At PwC we have developed a securitisation practice and a suite of services that help clients with all stages of a securitisation from feasibility studies, through to transaction services and deal execution support – all of which make undertaking a securitisation as easy as possible. We work with both regular issuers and those undertaking their first securitisations and are involved in circa 30% – 40% of UK securitisations each year.
The northern team provides a centre of excellence for financial services, working closely with a wide variety of technical/regulatory specialists within the firm, to support the range of services required from clients across the regions – between London and Scotland.

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