

Learning Needs Analysis

Client Asset Compliance
Practitioners

First issue - August 2019

16 CASS Practitioners give
their insight towards a
Learning Needs Analysis.

Key takeaways:

- * The FCA's views on CASS
- * The current state of learning solutions serving CASS practitioners
- * Operating environment creating new demands for learning solutions
- * Building competency in CASS compliance
- * The role of learning & development in improving risk awareness culture
- * Evaluation & performance management
- * Continuous learning solutions & next steps

Executive Summary

Learning & Development has a vital role to play in helping firms build an effective risk culture. Risk management practitioners in particular must have the necessary skills, knowledge and competence to perform their roles to the optimum.

Achieving compliance with the CASS Client Money and Custody Asset rules has been a constant challenge for firms over the last decade with large, medium and small firms being the subject of increasingly draconian regulatory enforcement action. Whilst landmark regulatory fines levied against high profile names such as Lehman Brothers, Aviva, JP Morgan, Blackrock, BNY Mellon, Barclays and MF Global for flouting the CASS compliance rules are demonstrative of the regulator's firm stance in relation to CASS, it is important to note that the last few years has seen the regulator increasingly turn its attentions to responsible individuals who fail in the execution of their regulatory CASS obligations. The message from the Regulator is very clear: ignorance is no longer bliss.

How do we arrive at a situation where individuals charged with such responsibilities fail so badly? Engagement with the industry indicates that frequently individuals are appointed to roles of CASS responsibility where frankly they do not have the knowledge, skills, experience or expertise to fulfil their obligations.

How therefore do we enable client asset professionals so that they are equipped to identify, mitigate and prevent client asset risks? What part can learning & development play in equipping practitioners with the capabilities to strengthen operational resilience within their respective organisations?

The FCA has identified firms' culture and governance as a key priority and are looking to work with firms to promote and embed a healthy CASS culture by focusing on four key drivers of behaviour:

- * Purpose
- * Leadership
- * People management and reward
- * Governance

The regulator has identified poor firm culture as a key risk to the consumer and the health of the markets it serves to protect.

The regulator is focused on ensuring the market functions well, which means ensuring that if firms fail they do so in an orderly way where client assets are readily identifiable and can be returned to their rightful owners as expeditiously as possible. When firms fail in a disorderly fashion and clients' assets are put at risk, it undermines the regulator's single strategic objective – ensuring the healthy state of the market. The CASS Compliance regime is therefore of vital importance to the regulator, and of course to us the consumer.

CASS Practitioners need to ensure their firms are CASS compliant at a time when the industry is being constantly challenged by market changes including:

- * PS14/09
- * Brexit
- * Technological innovations such as blockchain
- * Evolving business model shifts around FinTech
- * Platform outsourcing

There has never been a greater or more timely need for CASS Practitioners to have access to high quality Learning & Development programmes to help embed CASS culture in their firms.

We interviewed 15 respected Client Asset Practitioners about the learning needs of the CASS Compliance community and how a reshaped learning strategy could help create a healthy risk awareness culture.

As a result, we've analysed the community's learning requirements to better focus our support of the prevention of client asset risks in the market.



The view of the Financial Conduct Authority

The FCA has identified firms' culture and governance as key priorities within their current business plan. Under their single strategic objective – to ensure the markets it regulates function well - the regulator is looking to achieve orderly firm failure where client assets are protected.

Reactive Momentary versus Pro-active Preventative

Learning & Development has a vital role to play in helping an organisation achieve a healthy culture that creates the right outcomes for both firms and the consumers they serve. Learning & Development functions benefit from having an organisational wide holistic viewpoint that facilitates an appropriate assessment and evaluation of whether a healthy risk culture is present and embedded.

The insights gathered from our research with a faculty of 15 leading practitioners, indicates that there are two types of organisations with two opposing approaches; a Reactive Momentary and a Pro-active Preventative approach to learning.

Reactive Momentary Firms

Tend to respond to industry developments, and regulatory fines in the moment as a main catalyst for training investment.

Focus on annual participation pass rates as a main measure of compliance training rather than quality and effectiveness of the training delivered.

Rely on information generated from networking at events and seminars as their main source of learning for practitioners in their organisation.

Pro-active Preventative Firms

Engage with the business units and operational support functions to identify learning needs and create targeted Learning & Development programmes.

Have a multi-faceted strategy for creating behavioural change in relation to risk awareness, not just relying on annual mandatory learning interventions.

High quality practitioner level learning content that provides deep insights into important technical areas linked to real world practical firm examples.

Deploy innovative learning experience tactics through functional secondments to create a deeper understanding of operational processes and how CASS rules need to be applied.

The current state of learning solutions serving CASS Practitioners

There is a clear feeling amongst CASS Practitioners that there is an over-supply of generic awareness content but an under-supply of high-quality practitioner solutions that provide a deep insight into important technical areas. Learning solutions undoubtedly need to go further and include practical real-world examples that bridge the gap with the rule-based theory.

What are the views of the CASS Practitioners?

- * There is strong provision of generic, high level, light touch rules awareness-based content.
- * Firms have overlooked the opportunities for ad-hoc training, where CASS SMEs can assist with applying the CASS rules back to individual processes.
- * There is an under supply of high-quality computer-based CASS Practitioner level learning solutions.
- * The market is lacking provision of quality learning solutions that focus on deep insights into important technical areas, which would better enable them to implement best practices across the organisation.
- * CASS Practitioners lack a platform for sharing practical insights within the community.
- * There is a deep sense of “reactive momentary” rather than “proactive preventative” approaches to investment in CASS Training. Many firms respond to industry wide change and/or fines rather than pro-actively building a risk awareness culture that identifies, mitigates and prevents risks.
- * Annual mandatory cycle reduces awareness of CASS related risk due to high levels of staff turnover.
- * Training when delivered brings about awareness which leads to behavioural change, but it needs to be part of a wider integrated awareness framework involving communications, environment and technology solutions.
- * There is a definite sense of ‘box ticking’ rather than individual accountability within a shared responsibility culture.
- * Training should be leveraged by CASS Practitioners to help identify breaches, weaknesses and issues within their internal CASS framework.



How effective are the learning solutions provided?

The general feeling from the faculty canvassed for this study indicates that more could be done to tailor learning interventions to individuals and departmental functions in order to improve their effectiveness.

What are the views of the CASS Practitioners?

- * Better engagement with individuals to identify unique training gaps, and tailor more targeted training to individuals and defined functions.
- * Effective application of CASS rules to ensure firms are working towards meeting the Regulator's expectations.
- * Learning & Development needs to adapt to the new technology compliance solutions in the market.
- * Technology can be leveraged to record training sessions and these can be stored and broadcast to improve accessibility for remote-based professionals.
- * Real world examples bring the complex nature of CASS Regulations to life.
- * Knowledge of the rules does not necessarily mean you are operationally compliant. 'On the job training' in the context of CASS will be iterative and include formal classroom-based training, attendance of industry CASS forums and exposure to FCA and industry thought pieces and insights – all of which will be supplemented with refresher courses and online materials.



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Robust strong training ideally should be a blend of "on the job training" which in the context of CASS will be iterative and ongoing; formal training through classroom based training; attendance at industry CASS forums; exposure to FCA and industry thought pieces and insights - all of which may be supplemented by refresher courses or online materials.

– Jo Parkhill

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Operating environment creating new demands for learning solutions

Many of the experts that took part in this study shared the view that the new FRC audit standards have created a shift towards control framework testing and the effective monitoring of the operating environment.

CASS Practitioners must become more aware of the operational processes, the risks and the controls required to ensure CASS Compliance.

CASS Compliance professionals need to move away from merely creating perfunctory CASS controls to challenging the effectiveness of their CASS controls and frameworks. The trend towards outsourcing CASS processes has created additional new competency demands around technical oversight of third parties which means CASS professionals must be able to build strong working relationships with 3rd party operators.

Expert Insights – What are the views of the CASS Practitioners?

- * The PS14/9 policy statement change has redesigned the nature of CASS and the requirements of the professionals who work in it.
- * FRC Audit standards have shifted towards control framework testing and the effective monitoring of the operating environment.
- * The change in charging structures in the funds industry has had a major influence on the number of providers offering services in the market.
- * The trend towards outsourcing fundamental CASS processing has meant a move towards technical oversight of third parties and thus relationship building, as key requirements of CASS professionals.
- * Practitioners have had to become more aware of operational processes, their risks and the controls required to ensure CASS compliance.
- * There is an increasing need for Practitioners to challenge their CASS controls to ensure that they are well designed to prevent or mitigate against risks.
- * Market administrations have increased the focus on resolution packs.
- * Brexit will continue to have an impact due to legal entity restructuring.

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CASS practitioners need to move to challenging their CASS controls and to ensure that they are truly well designed to prevent risk.”

– Blanche Neal

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Building CASS Compliance Competence

The role of the CASS Compliance Manager is ever evolving, particularly with the emergence of new automated technological shifts. The modern-day CASS Compliance Manager needs to be organisationally savvy and comfortable at mapping customer journeys from front office to back and possess strong technical capabilities from control framework design and testing to reconciliation management.

They also need to be able to understand different business models and how CASS compliance rules need to be applied. Soft skills are vital for influencing and persuading stakeholders, and these are a key attribute alongside relationship management of third parties, and the ability to network within the community to gather vital intelligence.



What are the views of the CASS Practitioners?

Become organisationally savvy

- * Improve knowledge of products, services, exemptions, approaches, client structure and third party services
- * Understand the full end-to-end customer journey

Increase technical capability

- * Implement effective operational control frameworks
- * Understand the firm's CASS Resolution Pack and application against CASS 10
- * Gain a deeper understanding of CASS Data, IT controls and the full working of their reconciliation process

Acquire knowledge

- * CASS Audit reports and the new FRC standards
- * General Awareness of the CASS rule book
- * Firm's key risks, subsequent control effectiveness and breach/near miss events
- * CASS Knowledge deeply embedded within all 3 Lines of Defence in order to self-identify breaches
- * Focus on understanding how and why their CASS processes operate the way they do

Market Awareness

- * Technical knowledge of emerging FinTech disrupters

Business Model Awareness

- * Understand outsourcing arrangements and any sub-outsourcing and the associated impact of these contracts on their operations and CASS resolution packs

Process Improvements

- * Understand data flows better to ensure that the risk around complex organisation structures and systems are fully managed

Soft Skills matter

- * Stakeholder management, relationship building, networking, governance, oversight of external parties

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I believe that it's vital you do everything possible to understand the business you are working with.

– Paul Dixie

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Learning & Development's role in improving risk awareness culture

The investment that firms make in Learning & Development programmes designed to change behaviour in relation to risk awareness is a clear indicator of the culture the firm desires to build. If firms are investing in light touch 'tick box' training, they are foregoing the benefits that pro-active preventative firms gain from building deep operational resilience through building a strong risk awareness culture.

The opinions of the experts we interviewed highlights how more needs to be done to build collaborative programmes between Learning & Development and the 2nd Line of Defence to embed risk awareness in the organisation. Learning & Development teams need to focus on the quality and understanding of training received over the percentage of training completed. New content needs to be developed to help build broad organisational awareness of how compliance rules apply to areas like accounting, product, and operational processes.

What are the views of the CASS Practitioners?

- * Quality of the training needs to come before percentages completed.
- * Learning & Development needs to work in parallel with CASS Practitioners to embed a culture of risk awareness in the organisation.
- * Build an environment of "no blame" and "take ownership" culture so that lessons can be learned and improvements applied.
- * Learning & Development needs to play a more active role educating non-traditional CASS functions like IT development and BAU.
- * Enact a programme of secondment from operations to CASS and vice versa in order to develop deeper knowledge of operating processes that are conducive to a CASS compliant culture.
- * Learning & Development should take the lead on developing training content that creates broad awareness of a range of themes, such as accounting, product, and operational processes that allow compliance practitioners to add strategic value through organisational and product design.



“ Educate a “taking ownership” culture so that everyone involved with CASS from the board to the people processing new business feel they are responsible for full understanding, openness and improvements.

– Ella Clark

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Evaluation & Performance Measurement

How can stakeholders look to evaluate the overall effectiveness of their investment in 2nd Line risk practitioner development? The view from the experts focuses on whether CASS risk awareness is embedded organisation wide as evidenced by knowledge awareness and overall visibility as an indicator.

It is important that CASS Practitioners can influence their firm's culture along with possessing the necessary technical know-how. This however should not detract from the fact that CASS culture needs to be embedded from the top down. Performance can also be assessed through the outcomes of the annual assurance audit.

There is also an opinion that evaluation should be firm wide, with annual performance monitoring for boards, senior management and CASS related functions being a required next step to ensure firm wide risk awareness.

What are the views of the CASS Practitioners?

- * It's important to take a step back and ask 'How well embedded is CASS into the organisation?'
- * The CASS Compliance Team needs to have visibility and presence throughout the organisation.
- * The outcomes of the annual assurance audit should be used to understand whether the CASS team is performing well or whether there are fundamental issues.
- * "Performance Evaluation Monitoring" for board, senior management and CASS related functions can be conducted to identify weaknesses and build Learning & Development programmes that enhance knowledge and reduce risk.
- * The ability to influence a CASS Culture is not just technical capability.



All organisations should introduce 'performance evaluation' monitoring for Board, Senior Management, and key CASS related functions in the organisation to understand the strength of CASS and Risk knowledge within the organisation.

– Malcolm Long



Continuous Learning Solutions

We still need to ask “how can firms invest in continuous learning that provides solutions that enhance skills, knowledge and capability gaps that are holding back risk practitioners from being effective in their roles and duties?”

It's important to get the basics right first. Business engagement strategies need to be improved in order to identify critical capability gaps, whether this is through surveys, workshops, or secondments. A positive risk awareness culture will embrace the learning opportunity presented by near misses and breaches to identify root causes and therefore respond with solution-based learning programmes to better protect against this in the future.

CASS Practitioners have identified the following current most pressing technical challenges:

CASS control monitoring

Oversight of outsourcing arrangements

Influencing culture

An investment in continuous learning solutions over annual steady state training will close these capability gaps and help CASS Practitioners execute in their roles.

What are the views of the CASS Practitioners?

Improve Business Engagement

- * Understand what training they would like to see and build Learning & Development programmes, content and initiatives that address these capability gaps.

Situational and solution based approach

- * Near misses and breaches create a critical and valuable learning opportunity for the whole organisation.

Deep technical challenges

- * Industry themes, technical challenges around controls monitoring, and oversight of outsourced arrangements create knowledge gaps that need to be addressed during the year.

Strong Governance

- * Make training a clear governance requirement and ensure training is delivered and competency appropriately assessed.

Accreditation

- * Ensure that accreditation shows an understanding of CASS but goes beyond just the individual's responsibilities.

Learning Needs Analysis to Learning Solutions – Next Steps

What are the next steps that firms need to take in order to reduce CASS Compliance risks through investing in their internal CASS practitioners learning & development needs?

1

Engage

With the business units and functions to identify learning needs and create targeted Learning & Development programmes that close capability gaps and increase depth of awareness.

2

Strategise

Have a multi-faceted strategy for creating behavioural change in relation to risk awareness, not just relying on annual mandatory learning interventions.

3

Craft

High quality practitioner level learning content that provides deep insights into important technical areas linked to real world practical firm examples.

4

Innovate

Deploying innovative learning experience tactics through functional secondments to create a deeper understanding of operational processes and how CASS rules need to be applied.



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About Fourthline Learning

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Put simply, our microlearning solutions bridge the gap between generic education methods and desired performance improvement outcomes.

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