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of Actuaries

# Time for Transparency

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# **Time for Transparency ...and the important part that the actuarial profession can play**

5<sup>TH</sup> June 2018

# About <sup>THE</sup> TRANSPARENCY TASK FORCE

- We are the collaborative, campaigning community, dedicated to driving up the levels of transparency in financial services, right around the world
- We believe that higher levels of transparency are a pre-requisite for fairer, safer, more stable and more efficient markets that will deliver better value for money and better outcomes
- Furthermore, because of the correlation between transparency, truthfulness and trustworthiness, we expect our work will help to repair the reputational damage the sector has been suffering for decades



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# About <sup>THE</sup> TRANSPARENCY <sub>TASK FORCE</sub>

teams of  
volunteers

- **The Costs & Charges Team**
- **The Market Integrity Team**
- **The Financial Stability Team**
- **The Banking Team**
- **The Scams & Scandals Team**
- **The Foreign Exchange Team**
- **Team PISCES** (Purpose, Impact Investing, Sustainability, Corporate Social Responsibility, Environment Social & Governance, Socially Responsible Investing)
- **Team PAM** (Progressive Asset Managers)
- **Team APAC** (Asia Pacific)
- **Team Americas** (North and South America)
- **Team EMEA** (Europe, Middle East and Africa)
- **Team GTI** (Global Transparency Index)
- **Team AE**

- ✓ 300+ valiant volunteers in 18 countries, mostly the UK
- ✓ Organised & mobilised into 13 teams
- ✓ Small groups of people working together
- ✓ Subject-matter experts 'that want to stand up, not stand by'
- ✓ Building consensus on how to solve known problems
- ✓ Not just 'a talking shop'
- ✓ One or more campaign objectives per team

➤ See: <https://www.transparencytaskforce.org/teams-of-volunteers/>

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# About <sup>THE</sup> TRANSPARENCY <sub>TASK FORCE</sub> mission

- We believe the financial ecosystem is profoundly important to the wellbeing of society, the global economy and political stability; but there's a great deal wrong with it that needs fixing
- Our mission: “To help Fix Financial Services by harnessing the transformational power of transparency”



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# What is <sup>THE</sup> TRANSPARENCY TASK FORCE helping to fix?

- Hidden costs and risks
  - Opportunistic opacity
  - Opportunistic obfuscation
  - Opportunistic complexity
  - Short-termism
  - Insufficient client-centricity
  - Harmful incentive structures
  - Miss-selling
  - Asymmetries of information
  - Regulatory Capture (USA?)
  - Scams and scandals
  - A 'profit before principle' mindset
  - Conflicts of interest
  - Financial instability
  - Malpractice; lack of market integrity
  - Routine reputational damage
- **The Trust Deficit**



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# How is <sup>THE</sup> TRANSPARENCY TASK FORCE Helping to fix those problems

- Our approach is to raise awareness of what needs fixing; to shine a light into the darkness”
- The transformational power of transparency has been known for many years: *“Sunlight is said to be the best of disinfectants; electric light the most efficient policeman”* - Louis D. Brandeis, *Other People’s Money and How the Bankers Use It*, 1914
- Transparency can be transformational because of the correlation between
  - Transparency
  - Truthfulness
  - Trustworthiness
- If we want our sector to be trusted we need to be transparent
- ...and we *do* want our sector to be trusted – the UK’s savings ratio hit a record low in 2017; 4.9% - are we storing up systemic, toxic problems for the long term?



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# Key Insights from the 2018 Edelman Trust Barometer

- An annual global study in its 18<sup>th</sup> year; 28 countries; 33,000 respondents
- Bad news: UK is a poor 24<sup>th</sup> out of 28 in terms of general levels of trust
- More bad news: The Financial services sector scores a very, very poor 15<sup>th</sup> out of 15 (i.e. last) in terms of general levels of trust
- But some good news: *“There is renewed trust in experts, notably technical experts, financial analysts and academics”*.
  - Perhaps people are hungry for credible information they can rely on in the “fake news” era?
  - If so, the actuarial profession has a very important part to play...

➤ [http://cms.edelman.com/sites/default/files/2018-03/Edelman\\_Trust\\_Barometer\\_Financial\\_Services\\_2018.pdf](http://cms.edelman.com/sites/default/files/2018-03/Edelman_Trust_Barometer_Financial_Services_2018.pdf)



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# Key Insights from the 2018 Edelman Trust Barometer

## Top 5 Factors decreasing trust in financial services companies

- #5 Difficulty addressing problems
  - #4 Not responsive
  - #3 Unwanted selling
  - **#2 Confusing products/services**
  - **#1 No product/cost transparency**
- How can we provide data in a clear and intelligible way that such that it enables the kind of informed decision-making that is absolutely critical for generating good outcomes?



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## So what can the actuarial profession do to help?

- The actuarial profession is trusted; your scientific, academically robust way of thinking and working is highly credible; that's important in a distrusting world
  - Your future purpose could include becoming ambassadors of transparency, truthfulness and trustworthiness; you can help to “bring the truth”
  - Your knowledge and insight could be extremely helpful right now with a major issue the pensions industry is wrestling with...
  - Can you rise to the challenge to describe, define and disseminate the critically important notion of “value for money”?
- **Is “value for money” *not* in the “too difficult to deal with box” for the actuarial profession?**

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