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Time for Transparency

Andy Agathangelou
Founding Chair
Transparency Task Force

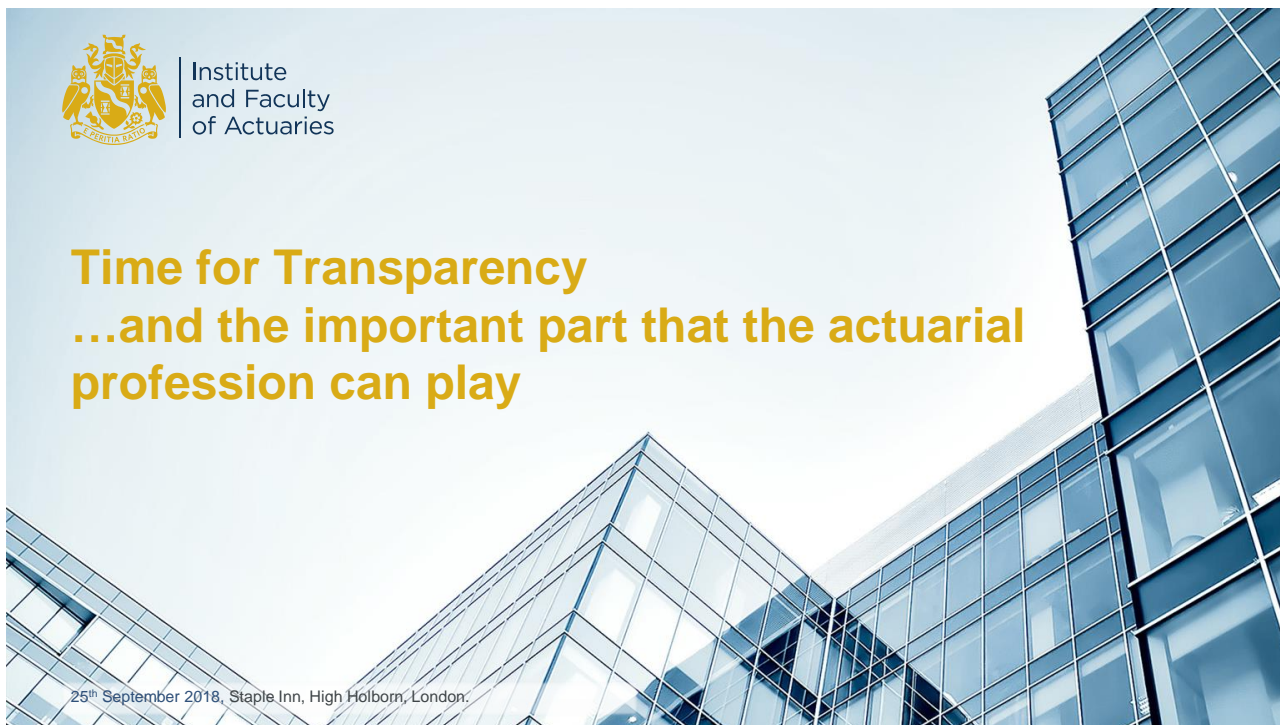
25th September 2018, Staple Inn, High Holborn, London



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

25th September 2018, Staple Inn, High Holborn, London





How did ^{THE} TRANSPARENCY TASK FORCE start?

- A very special meeting at Senate House, University of London on 6th May 2015



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Some useful experience of working in groups

23rd September 2010:

- Association of Member Nominated Trustees



Association of Member
Nominated Trustees

16th January 2014:

- Friends of Automatic Enrolment



2nd May 2014:

- Pensions BIB

(British Computer Society, HMRC, British Application Software Developers Association)



6th May 2015:

- **The Transparency Task Force**



2nd November 2016:

- The Technology Task Force



20th June 2017:

- The Interoperability Steering Group

(CMA, TPR, BEIS, UKAS, ICO, Digital Cabinet Office, BSI, DWP, PASA, Southampton University, SBC Systems)



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About THE 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 self-inflicted reputational damage the financial services sector has been suffering for decades



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About THE TRANSPARENCY TASK FORCE

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)
- **The Pensions Team**

- ✓ 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 the TRANSPARENCY TASK FORCE

strategy for
driving change

Our Strategy for Driving Change is all about bringing together two groups of people:

#1, those with a sense of **passion & purpose** about what needs to be changed;

#2, those with the **power & position** to make change happen

We do this in many ways, for example through our Transparency Symposia; and through our Special Events

Here's three very good examples of our Special Events:



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12th September 2016 at the Houses of Parliament:

“The first Transparency Strategy Summit in the World”

*‘The primary purpose of the first Transparency Strategy Summit in the world is to begin to build consensus on the best way to **protect the interests of the UK’s pensions-saving public** through full disclosure on all the costs and charges they are paying but not being told about’.*



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26th June 2017 at the Houses of Parliament:

‘Launch of the TTF Banking Team’s White Paper on Current Accounts’

‘Sensible recommendations about the lack of transparency around charges for Free-If-In-Credit personal current accounts’



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7th February 2018 at the Houses of Parliament:

‘Ideas to help reduce the chance of another Global Financial Crisis’

“A special meeting at which we presented our White Paper on the topic and initiated the launch of a new All Party Parliamentary Group on Financial Stability”



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About ^{THE} TRANSPARENCY ^{TASK FORCE} 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 so that consumers are treated fairly, by harnessing the transformational power of transparency”



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What is ^{THE} 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 ^{THE} 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
- Therefore, if we want our sector to be trusted we need to be transparent



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How is ^{THE} TRANSPARENCY TASK FORCE helping to fix those problems?

- ...and we *do* want our sector to be trusted – the UK's savings ratio has hit a record low; just 4.9%; the lowest since records began in 1963
- Is the lack of trust contributing to the low savings ratio and if so is it helping to store up systemic, toxic problems for the long term?
- What does the worst case scenario look like 10, 20, 30, 40, 50 years from now?



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Key Insights from the 2018 Edelman Trust Barometer

- An annual global study in its 18th year; 28 countries; 33,000 respondents
- Bad news: UK is a poor 24th out of 28 in terms of general levels of trust
- More bad news: The Financial services sector scores a very, very poor 15th 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



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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 and investment 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?



Let's *candidly* explore some of these issues:

- How would you describe the levels of trust in financial services as a whole?
- What do you suspect might be the underlying causes of that?
- What could be the worst-case scenario 10, 20, 30, 40, 50 years from now?
- To what extent is this "bigger picture" issue something the actuarial profession should be interested in?
- Is the time right for the actuarial profession embrace a "higher purpose?"
- What can the actuarial profession as a whole do to help?



Value for money...

- Can the Institute and Faculty of Actuaries help to define value for money?
- How would you go about defining value for money?
- Would it be worthwhile for the IFoA to pick up on this question and lead the way in this space?
- AOB?

andy.agathangelou@transparencytaskforce.org



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