

ALIGNING FINANCIAL INSTITUTIONS MORE CLOSELY TO SOCIETY'S NEEDS IS FIRMLY ON THE REGULATORY AGENDA IN 2020, SAYS NEW HERBERT SMITH FREEHILLS REPORT

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Firm news

Herbert Smith Freehills' Financial Services Regulatory (FSR) team has produced its annual forecast which identifies some themes that the firm expects to be at the core of regulatory priorities globally in the next 12 months.

The report has identified six main themes that will run right across the financial services regulatory space in the year ahead and, it predicts, instilling a stronger sense of company purpose will be the underlying catalyst to many of the changes that the industry will see going forward. Financial institutions will need to be realigning their corporate purpose to meet community standards and expectations.

The full report, which can be accessed [here](#), looks at a number of other issues including:

- Regulators are looking to firms to understand the potential needs of vulnerable customers and give them appropriate protection. The dial has moved away from the principle of "buyer beware" - and there has been much discussion about the definition of vulnerability, the extent of financial institutions' responsibilities with regard to vulnerability, and whether regulatory action alone can deliver a good outcome for the vulnerable or the excluded in society.

- Increasingly regulators view the way that a firm treats whistleblowers as a litmus test of the firm's culture, and an essential element of its ability to identify and manage misconduct.
- Resilience and data protection remain high on the regulatory agenda as key elements of operational resilience. Firms should be setting, monitoring and testing specific impact tolerances of critical business services, both internal and outsourced.
- As the dependency of firms on new technologies grows, so do regulatory expectations. Firms are becoming a conduit through which regulators are effectively seeking to influence behaviours in the unregulated space (eg in relation to crypto-assets and cloud-services). Technology risks are being mitigated through enhanced reporting and early regulatory engagement, and may engage individual accountability regimes.
- As some regulatory regimes move towards the promise of more investigations, civil and criminal proceedings against individuals in the financial sector, it seems that the UK's regime (which is being extended right across the industry) may have driven real improvements in the allocation of responsibilities within banks and insurers.

Herbert Smith Freehills Partner, [Jenny Stainsby](#), Global Head of the firm's Financial Services Regulatory practice, said:

"Financial services firms conduct their business activities across markets and borders, often performing services and holding data in locations other than those in which they interact with their clients. This report has pulled together the viewpoints of our legal teams right across the firm's network and is a tremendous demonstration of our deep industry knowledge in every jurisdiction across the globe. 2020 will put culture in the spotlight again for companies, which reflects a societal shift in attitude. Individuals are becoming more conscious of the need to contribute to the well-being of society and, as a consequence, companies, including financial institutions, are coming under pressure to realign their corporate purpose for the benefit of their shareholders, employees and the communities within which they operate."

MEDIA CONTACT

For further information on this news article, please contact:

**CORINNE MCPARTLAND,
COMMUNICATIONS LEAD**

LONDON

Tel: +44 20 7466 2057

Email: corinne.mcpartland@hsf.com

