



Conduct Risk – UK perspective

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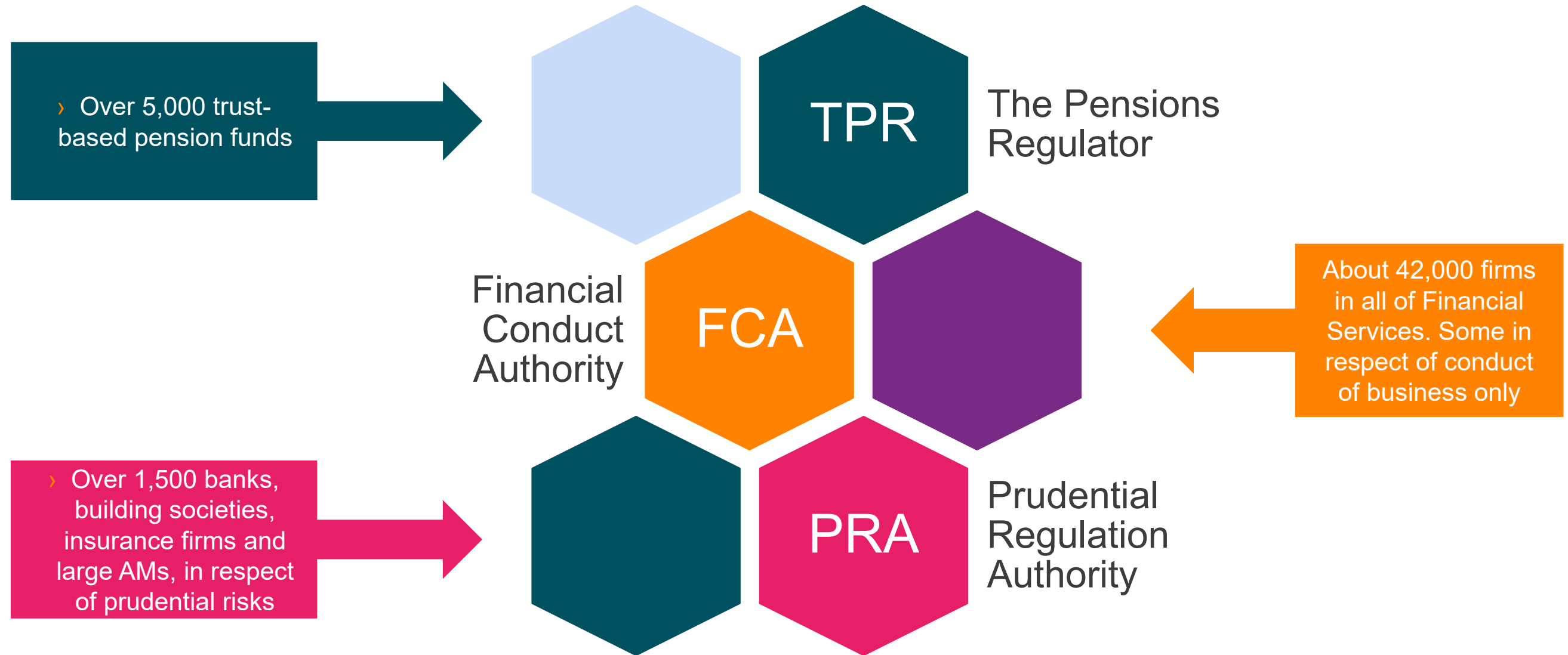
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1. Financial services regulation in the UK

The Landscape: Financial Services Regulation in the UK

(excluding smaller and peripheral regulators)



About the FCA – in their words

[About the FCA | FCA](#)

Our role

- › We regulate financial services firms in the UK, setting standards for firms to meet and holding them to account if they don't.

How we operate

Our operational objectives are to:

- › [Protect consumers](#).
- › [Protect the integrity of the UK financial system](#).
- › [Promote effective competition in the interests of consumers](#).

Since 2023, we've had a [secondary objective](#) to facilitate the international competitiveness and growth of the UK economy in the medium to long term (subject to alignment with international standards).

How we regulate

We work towards our objectives in a variety of ways.

- › We make new rules and issue guidance and standards.
- › We work to detect market-wide harm and put in place remedies through market studies.
- › We authorise or register financial firms and individuals.

2. FCA regulations for a firm

FCA regulations

[Home - FCA Handbook](#)

- › A complex web of rules (“must”) and guidance (“should”)
 - Covering numerous industries...
 - ...deriving from EU Directives and UK legislation...
 - ...which has grown by accretion since FCA was started in 2013...
 - ...and inherited from predecessor body Financial Services Authority, set up as the Securities and Investments Board in 1985.

- › It tries to lay down the supervision for everything from Barclays bank (globally) to a single-office in-person financial advisor to a global asset manager to an online-only insurance broker

Key regulations for firms: PRIN (Principles for Business)

PRIN 2 - FCA Handbook

1 Integrity	A firm must conduct its business with integrity.
2 Skill, care and diligence	A firm must conduct its business with due skill, care and diligence.
3 Management and control	A firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.
4 Financial prudence	A firm must maintain adequate financial resources.
5 Market conduct	A firm must observe proper standards of market conduct.
6 Customers' interests	A firm must pay due regard to the interests of its customers and treat them fairly.
7 Communications with clients	A firm must pay due regard to the information needs of its clients , and communicate information to them in a way which is clear, fair and not misleading.
8 Conflicts of interest	A firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client .
9 Customers: relationships of trust	A firm must take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgment.
10 Clients' assets	A firm must arrange adequate protection for clients' assets when it is responsible for them.
11 Relations with regulators	A firm must deal with its regulators in an open and cooperative way, and must disclose to the FCA appropriately anything relating to the firm of which that regulator would reasonably expect notice.
12 Consumer Duty	A firm must act to deliver good outcomes for retail customers .

3. FCA and PRA regulation of individuals

Senior Managers and Certification Regime - introduction

Financial Services Register | FCA

- › FCA requires individuals who perform certain specific senior management functions (“SMFs”) to be **approved by FCA** and assessed as “fit and proper”.
- › It also requires firms to assess other senior individuals as “fit and proper” and notify FCA of their names.
 - Both categories of individuals are named on the Financial Services Register under the firm
- › What does “fit and proper mean?”
 - “In the FCA's view, the most important considerations will be the person’s:
 - (1) honesty, integrity and reputation;
 - (2) competence and capability; and
 - (3) financial soundness.” (FIT 1.3.1B)
- › There are prescribed requirements for the information to be gathered

What are the SMF roles?

- › Example – our asset management subsidiary (a **Core** firm, which means only a limited set of SMFs are required)
 - **SMF 9: Chair**
 - **SMF 1: Chief Executive**
 - **SMF 3: Executive Director**
 - **SMF 16: Compliance Oversight Function**
 - **SMF 17: Money Laundering Reporting Function**
- › Non-Executive Directors other than the Chair **do not** hold SMF roles
- › In larger firms there are many more SMF roles – e.g. **SMF 4: Head of Risk; SMF20: Chief Actuary, SMF24: Chief Operations Officer**

What are the conduct rules for individuals?

[COCON 2.1 Individual conduct rules - FCA Handbook](#) & [COCON 2.2 Senior manager conduct rules - FCA Handbook](#)

- › For all staff in regulated firms:
 - [Rule](#) 1: You must act with integrity
 - [Rule](#) 2: You must act with due skill, care and diligence
 - [Rule](#) 3: You must be open and cooperative with the [FCA](#), the [PRA](#) and other regulators.
 - [Rule](#) 4: You must pay due regard to the interests of [customers](#) and treat them fairly.
 - [Rule](#) 5: You must observe proper standards of market conduct.
 - [Rule](#) 6: You must act to deliver good outcomes for [retail customers](#).
- › For senior managers (both SMF and CF), additionally:
 - SC1: You must take reasonable steps to ensure that the business of the [firm](#) for which you are responsible is controlled effectively.
 - SC2: You must take reasonable steps to ensure that the business of the [firm](#) for which you are responsible complies with the relevant requirements and standards of the [regulatory system](#).
 - SC3: You must take reasonable steps to ensure that any delegation of your responsibilities is to an appropriate person and that you oversee the discharge of the delegated responsibility effectively.
 - SC4: You must disclose appropriately any information of which the [FCA](#) or [PRA](#) would reasonably expect notice.

4. So what is conduct risk?

What is conduct risk?

Some definitions from the market – FCA doesn't define it!

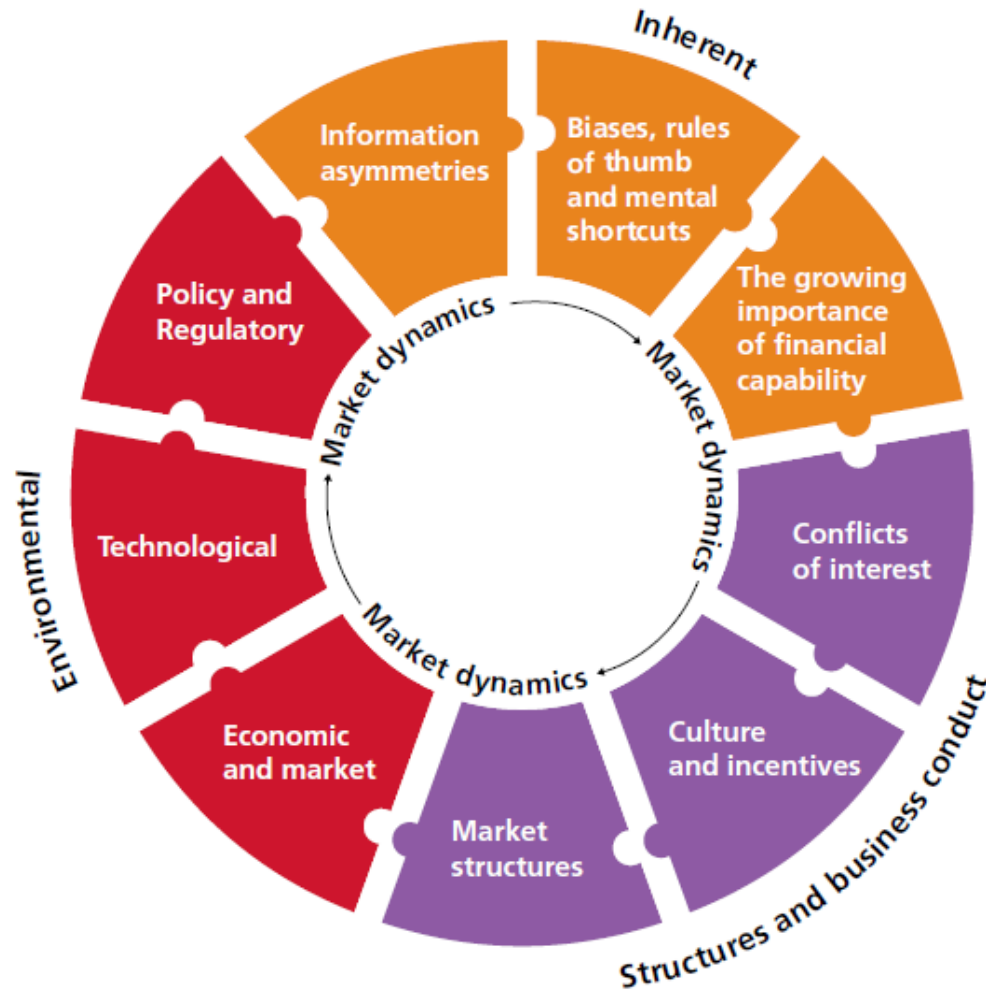
- › “The risk that firm behaviour will result in poor outcomes for customers”
- › “The risk that detriment is caused to our customers, clients, counterparties and their employees because of inappropriate judgement in the execution of our business activities.”
- › “The risk of customer detriment due to inappropriate culture”
- › “The risk of unfair outcomes to the end consumer and subsequent damage to the reputation of the firm and to the achievement of its strategic objectives.”

With stated Conduct Rules, anything that risks them being broken is a conduct risk

What do the FCA say?

(2014 picture, but it hasn't changed much)

Key drivers of risk



- › Drawn very widely
- › “Non-financial conduct” is a concern
 - Culture of London insurance markets – masculine, alcohol-led
 - 2014: MD at Blackrock was banned for rail fare evasion
 - 2023: Jes Staley, Former CEO of Barclays fined >£1m and banned for lying about his friendship with Jeffrey Epstein (upheld on appeal 2025)
 - 2025: Crispin Odey, founder and CEO of an asset manager fined £1.8m and banned for frustrating his firm’s investigation into allegations of sexual harassment (currently being appealed)



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