



Investigation into behaviour and culture

How is this conducted in practice?

The Dutch Authority for the Financial Markets (AFM)

The AFM is committed to promoting fair and transparent financial markets.

As an independent conduct of business supervisor, we contribute to sustainable financial well-being in the Netherlands.

Why does the AFM conduct investigations into behaviour and culture?

The culture within an organisation largely determines the behaviour of employees. This is also the case in the financial sector. In addition to the many new rules that have been introduced, it is also important to look at the unwritten rules.

The AFM conducts investigations into behaviour and culture at financial enterprises. For example major banks and insurance companies, smaller firms and financial providers. As a result, the AFM obtains better insight into what drives people to put the customer's interest or public interest first. These insights make it possible to identify high risk behaviour before this has resulted in harm.

There is no blueprint for an 'ideal' culture. The AFM does not prescribe a specific culture, but provides insight into the risks that a culture could give rise to. On the one hand the AFM does this by conducting investigations and on the other hand by encouraging and enforcing financial enterprises to manage and control these risks.

Supervision of behaviour and culture is an addition to the regular supervision. The AFM's viewpoint is that a sustainable organisational culture is primarily the responsibility of the organisation itself.

What is the added value?

The insights from the investigations conducted by the AFM are of added value for both the enterprise and the AFM. The enterprise obtains insight into which patterns within its organisation influence the success of changes or act in the customer's interests. The enterprise can use these insights to improve its organisation. The AFM obtains insight into how changes and acting in the customer's interests work within specific organisations. This helps to understand an organisation better and thus to structure our ongoing supervision more efficiently.

Georgette Fijneman – (former) COO Zwitserleven

"The investigation has given us extra insight into putting the customer's interests first within our own organisation. The findings of the AFM have given the management starting points for improvement. It is good that the AFM does not present a 'checklist', but that we discuss together what could be improved (but also what is going well)."

How does the AFM conduct an investigation into behaviour and culture?

When does the AFM start an investigation into behaviour and culture?

These investigations are started based on risks that the AFM sees in the market. This could concern risks at a specific organisation, but also market-wide risks.

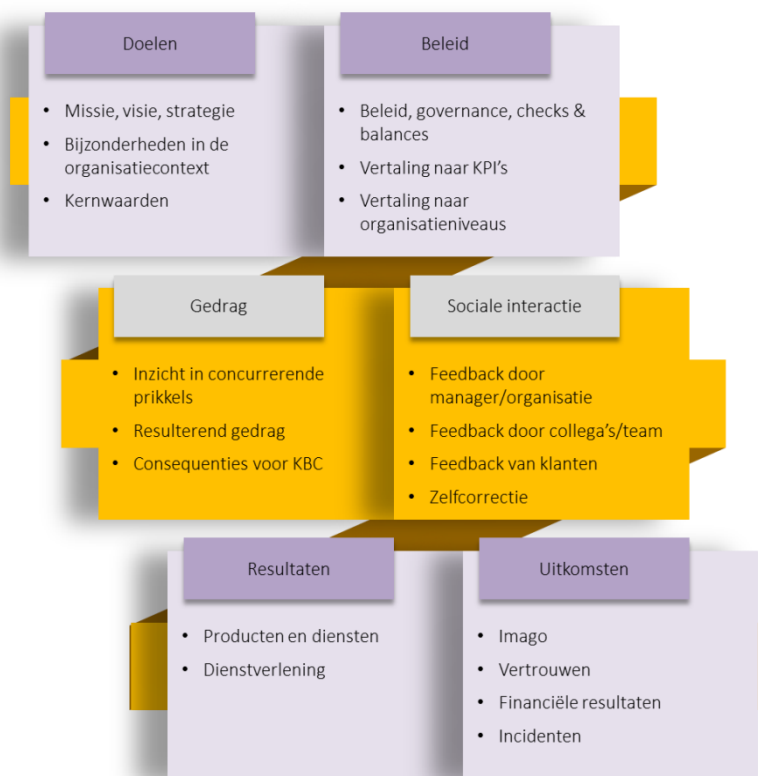
For example, the AFM can start an investigation to find out what the cause of an incident was and why it went wrong. In this case, insight is not only obtained into the rules that were not complied with, but above all into *why* these rules were not complied with. For instance, it can appear that it is practically not possible to comply with the rule (for example, because there are contradictory rules), the employee has not been enabled (for example, due to lack of training) or the manager appears to steer on other aspects (for example, on the speed of processing).

At which organisations are these investigations being carried out?

These investigations can be carried out at all organisations that are subject to supervision by the AFM, such as larger and smaller banks and insurance companies, and also accounting firms, pension funds, investment firms and stock exchange platforms.

How does the AFM obtain more insight into the behaviour and culture of financial enterprises?

When carrying out an investigation into behaviour and culture, the AFM makes use of various methods. The choice of a method depends on the supervision case in question. One of the methods is the assessment based on the reference framework below.



Based on this reference framework, the AFM investigates how the policy of an organisation is translated into the behaviour of employees (the yellow blocks). All blocks influence each other. This is why the AFM considers it important to examine the organisation as a whole.

What does an investigation mean for your organisation?

Guidelines have been developed for conducting an investigation with the aim of collecting data carefully and efficiently. This relates both to duration and to the burden placed on the organisation. The different phases of the investigation are explained below.

Information phase

An investigation starts with an introductory meeting. In this meeting, the chosen method is explained and the scope of the investigation is determined. The reason for an investigation is often that the AFM sees certain risks and wishes to have more insight into the causes of these risks. Based on these risks, it is determined, together with the organisation, how the investigation will be structured. This means that it will also be determined at which departments interviews will be held and which employees will be requested to complete the survey.

Study of documents

Organisations are increasingly also examining (aspects of) behaviour and culture themselves. It is not the intention to burden companies additionally. Therefore, in cases where relevant information is present, the AFM will also use this in the investigation. A context analysis is made based on existing documents provided by the organisation prior to the interviews and the questionnaire. This analysis is used to fine-tune the investigation instruments.

Investigation

The investigation will then be carried out at your organisation. This mostly means that in-depth interviews will first take place with employees from various levels within the organisation. These interviews take an hour and a half, and minutes are taken by the AFM. The respondents for the interviews are selected partially by the organisation and partially by the AFM. In addition, an online survey is sent to all relevant employees. Filling in this questionnaire takes on average ten minutes.

Feedback

This combination of investigation instruments provides for a careful and substantiated picture of the behaviour and social interaction of the organisation. Risks of an existing culture and specific behaviour that form an obstacle for confidence are identified in these investigations. The total picture is first discussed in a presentation and feedback is then provided in a letter.

Monitoring the follow-up

If it appears from the investigation that there are matters requiring improvement, we expect that an organisation or the sector will proceed to address these risks. The AFM monitors the follow-up that it expects from the organisation. This monitoring can concern both the process (which actions have to be taken) and the result (to which effects have the actions led).

What can compliance officers do themselves?

We also see an opportunity for compliance within the organisations, amongst other things. They can assume a facilitating role, by initiating the dialogue about obstacles to putting the customer's interests first. It is important that this does not become a 'tick-the-box' exercise. It is not sufficient to translate these obstacles into guidelines, procedures, etc. Questions that they could ask are: How do we, as an organisation, define customer's interests? For what behaviour are employees valued or not valued within our organisation? Are employees given the opportunity to put the customer's interests first?

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