

SOCIETY matters



DIVERSITY
For a stronger workplace

Opinion

Themes for today's Boards

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Cybersecurity

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Society Matters is a publication of the Building Societies Association – ISSN 1756-5928.

The views expressed by authors in this magazine are not necessarily those of the BSA.

Chief Executive: Robin Fieth
robin.fieth@bsa.org.uk

Editor: Amy Harland
amy.harland@bsa.org.uk

BSA, 6th Floor, York House,
 23 Kingsway, London, WC2B 6UJ
www.bsa.org.uk

Designed by: Whatever Design Ltd.
www.whateverdesign.co.uk

Printed by: Trident Printing,
www.tridentprinting.co.uk

Hello and welcome to the summer edition of **Society Matters**



We are energised from a great BSA Annual Conference – it always serves as a great opportunity to reconnect, refocus and learn more about the latest topics of interest to our sector, to make the most of the year ahead.

If you couldn't make it, Robin Fieth, BSA Chief Executive, shares highlights from his opening speech on P3, and two of the many fantastic speakers summarise their positions on cybersecurity (P6) and workplace diversity (P8).

Workplace diversity is increasing in prominence, with government-led initiatives such as gender pay gap reporting and the National LGBT survey paving the way for organisations to be more diverse: whether in relation to gender, ethnicity, age, lifestyle, physical ability and beyond.

I'm writing this from my apartment – a converted Boardroom and backdrop to the 1888 London Matchgirls Strike: one of the first landmark events of the feminist movement – a whole fifteen years before Emmeline Pankhurst formed the WSPU. It has got me thinking about whether the protestors then thought that we would still be fighting for equality today, precisely 130 years on from the strike. Although conditions are evidently far better, we still have a way to go before we can say our workforces are truly diverse and genuine equality has been achieved.

... And it's not just about gender. I genuinely believe that equality and diversity should be front and centre of any organisation's agenda if it is to reflect its customer base and employ the best talent. We can't say this has been achieved until we see a range of talented individuals of all ages, gender identifications, sexual orientations, physical abilities,



ethnicities and social backgrounds on our Boards, in senior management roles and across our organisations to fairly represent society. Investment and support needs planning now to nurture tomorrow's diverse and qualified leaders. Until then it is all, arguably, just words and token actions.

With that in mind, this edition is dedicated to diversity in the workplace – the special starts on P7.

I hope you have a wonderful summer, kick it off by bringing yourself up to date on all of the topics our sector contributes to.

See you in the autumn edition – published late September.

AMY HARLAND
Society Matters Editor



Themes for today's Boards



In the Manchester sunshine at this year's BSA Annual Conference, I took the opportunity to set the theme by talking about seven topics for all our Board agendas. We continue a number of those themes in this summer edition of Society Matters.



By **ROBIN FIETH**,
BSA Chief Executive

A structural shortage in housing

The Beatles played their final gig on the roof of Apple Records in Savile Row (later the BSA's headquarters) in 1969, the year we last built 300,000 houses in England. Then, local authorities and housing associations contributed over 140,000 homes, compared with just 30,000 last year. The public sector house building record has been poor for decades, whichever party is in government.

We want to see a substantial public investment in housing: funded by central government or local authorities; creative use of public land and different property tenures to create truly affordable homes; wider use of modern construction methods, including modular and precision factory built homes.

We do not prefer one type of housing tenure over another. We're talking about fulfilling our country's obligation to provide decent homes for everyone; the economic benefits of people

being able to move easily for work; and building societies lending on homes for sale or private rent, whether outright or on a shared-ownership basis.

Ring-fencing and competition

At the 2017 Conference I offered some thoughts about how building societies can sustain comparative advantage in a competitive ring-fenced retail banking world: by making the most of Building Society as a legally protected term; Boards using our ownership model consistently to take a long-term view on investment, product development and growth; and using our social purpose to stand out for how we contribute back into our communities as an integral part of how we do business.

The conventional assumption is that this slower growth model is less value added than the shareholder owned business model with its focus on profit maximisation. Not true. Comparative research into Europe's

shareholder and co-operative banks since 2002 found Co-operative Banking's lower leverage, lower volatility model produced stronger long term performance and higher long term average profitability.

The future in funding

February saw the final drawdown on the Term Funding Scheme. Attention is now turning to repayment, re-financing and the likely impact on wholesale funding and retail deposit taking. No co-incidence, then, that last year we started exploring alternative funding strategies with members, focusing on resilience or rainy day savings.

Toynbee Hall's 2017 report "Savings for the Future" said the UK has a severe savings problem. The issue for many people is not that they aren't saving enough; rather they are not saving at all.

In 1775, Richard Ketley suggested to a bunch of drinkers in his Birmingham pub that they

should start saving rather than buy another pint. Those small value savings started the great social movement that is today's building society sector.

This should be responsible, profitable business – important for sustainability through the economic cycle. It is also the right thing to do in fulfilling our purpose as a force for good UK financial services.

Moore's Law, AI and digital strategies

Moore's Law, the observation that the number of transistors in a dense integrated circuit doubles every two years, dates from 1965. Exponential curves top out, don't they? But where are we on the Moore's Law curve? What new innovations will continue the exponential trend in processing power and capability? And, critically, what will society choose to do with this power?

There is growing consensus of the competitive challenges artificial intelligence will soon pose in some markets. You may have seen the KPMG EVA clip or have already invited Alexa (other brands available) into your home. These products already have the processing power constantly to seek out the best deal for you – whether managing household utility contracts or personal savings.

People: our most important asset – how do we show we really mean it?

Do we do enough to grow our future leaders? Are we developing properly diverse teams; that bring a wide range of experience, culture and backgrounds to our businesses; that provide us with the skills and perspectives

needed for the future, rather than just meeting today's needs?

If we are to seriously tackle diversity challenges, we must go beyond unconscious bias training and look at how we select, develop and retain a broader workforce than currently characterises our sector.

Our world class Masters in Strategic Leadership currently has 64 students enrolled, from 28 Societies and one credit union. 50% have no first degree. 42% are women. One of our students has already been promoted to chief executive. Are you making the most of the opportunity?

Resilience, security and operational efficiency

How the cybercrime debate has moved on! At our 2014 Manchester Conference, I was dissuaded from warning that the issue was "when" our defences are breached, not "if".

In April the then-Home Secretary, Amber Rudd, stated 70% of large UK businesses have experienced cybercrime. The average cost of a cyber-incident was £20,000. Some breaches left companies on their knees. I can't help thinking that both figures quoted by the Home Secretary were under-estimates.

The same month GCHQ Director, Jeremy Flemming, spoke of the wider societal promise in technology, and also of the threat. He referred to hostile states, terrorists and criminals as early adopters of new technology, products and services; of them investing heavily in strategies and tactics to further their causes; and of the attackers not caring about the size or sector of their victim.

Ownership really does matter: radical approaches to member engagement

In May, a group of us travelled to Massachusetts to meet with co-operative and community bankers, regulators and other key stakeholders. We shared experiences and ideas, comparing and contrasting our commercial and regulatory environments from the common viewpoint of customer ownership.

One thing that stood out for me from the trip was how we create a sense of membership and belonging among today's customers. The challenge is what our common mutual heritage looks like in the 21st century. The question that especially struck me was, "as a customer, why is it in my interest to be part of this?"

How do we continue to convert customers into engaged members when increasingly they come to us through physical and virtual intermediaries? Is their relationship with us or with the broker or intermediary? Perhaps a price comparison website or with Alexa?

Seven themes for today's Boards: Housing, funding, competition, technology, people, ownership and social purpose (and why it's as vital to our future success as it was to our foundation and history).

It's no coincidence all of these themes featured strongly at our Conference.

Next steps:

You can follow Robin on Twitter
 @bsaceo



Mastering the mutual way: How the BSA Masters programme paves the way for stronger individuals



By **CAROLYN THORNLEY-YATES**,
Head of sales and
marketing, Hinckley &
Rugby Building Society

Carolyn is a student on the BSA Masters degree programme. It's not easy juggling a family, career and studying, but the course has changed her outlook for the better in all aspects of life. In Carolyn's own words...



A desire for learning about our sector

Most people these days have worked in various locations for several employers. I joined Hinckley & Rugby straight from university 21 years ago and, whilst I've gained a lot of insight from working in different areas of our business, I don't have wider experience of the financial services industry.

That's the key reason I applied to the Masters programme, despite how much hard work I knew it would be around a very full-time job. I thought it would plug that gap – and it absolutely has.

Promotions and progression

Last year the Society merged the business development and marketing aspects of the business, which already had a lot of crossover. Being on the course helped me step up to fulfil the newly-created role of Head of Sales and Marketing. The course has given me the confidence to accept additional responsibility and develop my team.

The lecturers, course content and peripheral activities have definitely fulfilled the brief that both the BSA and the students wanted. The scope of the modules means I have been able to review every part of our business, which means I can contribute a lot more to our wider strategy.

Whereas before I would prefer to talk about things in my own area of the business, I am now much more confident about other issues. For example, when I'm presenting papers to the Board or participating in senior leadership team meetings I'm now able to get involved in all areas of the discussion. It has demystified a lot of areas for me.

Working with mutual peers

Working with 24 other students from 16 other mutuals, sharing wider experiences and tackling real scenarios really brought home to me how I was doing a lot of stuff instinctively without understanding why. The course has given me the frameworks to see 'that's why we do that', and then to take it to the next level.

The three-year course is almost complete, there's just the little matter of an 18,000-word research project report due in July. Graduation is set for December 2018, and in addition to my MSc Leadership & Management, I'll also be accredited with a CMI level 7 qualification.

Real Society changes

My research project centres on value propositions and their relevance and importance in procuring repeat business and customer retention, the customers in this case being intermediaries.

We'll be applying this at the Hinckley & Rugby to develop a Decision in Principle process, piloting it, going live and evaluating the process and what value it has added. We probably wouldn't be at this point if I were not on the course, there are so many other priorities competing for our attention.

"The course has given me the confidence to accept additional responsibility and develop my team."

Real life changes

It's proved useful out of work too. I have definitely applied elements of the performance module on my children and thought 'oh, look, it works'. Also on my husband, but he doesn't need to know that!

Joking aside, having children adds to the time pressure but there is a brilliant benefit too. You are setting a great example to them. Yes, there are sacrifices, but to see you studying, learning and achieving is an example that will stay with them. They will be there in December, to see me graduate, and I couldn't be prouder.

Next steps:

The application window for the BSA and Loughborough University Masters programme closes on 13 July. Visit bsa.org.uk/MastersProgramme



By **PROFESSOR CARSTEN MAPLE**,
Director for Cyber Security Research, WMG, University of Warwick

Cyberattacks:



Forget making them less likely, it's about reducing the impact of an attack

Barely a week goes by without news of a cyberattack. The statistics confirm the casual observation that cybercrime is on the rise, both in the number of cases and its financial impact.

Building societies might enjoy Software-as-a-service and Platforms-as-a-service, but they certainly won't enjoy the rise in Cybercrime-as-a-service. A recent Veracode/NYSE Governance Services report found only a third of Chief Information Security Officers were confident their company was secure against a cyberattack; statistics suggest this may be misplaced confidence.

Assessing risk is difficult

Understanding cybercrime risk is important – the problem is, risk assessment isn't easy. There are tools and guidance for assessing risk, such as Deloitte's *Strategic Risk Management in Banking*. However, even following a systematic approach can be difficult in assessing cybersecurity because the risk environment is so dynamic. New attackers are entering the arena continually, armed with new and increasingly sophisticated methods.

Assessing cybersecurity risk is even more difficult

It has been argued risk assessment is of limited use since it requires a business case to protect against something that hasn't happened yet, and that risk reduction is guesswork at best. Donn Parker argued in 2007 that security risk is not measurable as there are too many unknowns. The frequency and impact of future incidents depend on variables under control of unknown and often irrational enemies with unknown skills, knowledge, resources, authority, motives, and objectives—operating from unknown locations at unknown future time. Furthermore, quantifying business impact with no precedent is difficult. He also notes correctly

that threats evolve over time, therefore so do risk assessments. Notwithstanding this, there isn't reason enough to abandon undertaking cybersecurity risk assessments.

To assess cybersecurity risk more effectively, requires adopting a 'threat modelling' technique: Identify the security threats, understand where the greatest risks lie, then implement targeted mitigation.

A threat actor will exploit a vulnerability dependent on a number of factors: motivation, skill and resources. They then must have the opportunity to launch the exploit. Successful exploitation depends upon the difficulty for the vulnerability to be exploited.

Therefore, threat modelling considers the identity of the threat actor: a state-sponsored attacker, organised crime circle, disgruntled former employee? Then the motivation: financial, political, revenge? This provides insight into who might attack, why and their capabilities and challenges, indicating the likelihood of a successful attack. An impact assessment is then conducted. Security risk assessments require input from across the organisation to be effective – not just the cybersecurity department or consultant.

Managing cybersecurity risks

It is possible to manage risk through 'Avoidance, Reduction, Contingency, Transfer and Acceptance'. A new or improved firewall, intrusion detection system or staff training are common methods of reducing the risk of a cybersecurity breach. They can help reduce the likelihood of an attack, however, may not be the most efficient or cost-effective approaches.

Cybersecurity breaches will happen

Whilst work to reduce cyberattack likelihood is common, far too little attention is being paid to reducing impact.

The 2017 'Wannacry' attack brought significant negative publicity to the NHS. We should not have been shocked that they were breached, but the impact of the attack was an issue. Had risk management involved reducing the impact of a similar attack, the consequences would have been far different.

Risk management to reduce cyberattack *impact* is much more complex than reducing *likelihood*, but it can be advantageous. The impact approach requires more investigation, and in order to reduce the cost of implementing such countermeasures, we need to build systems and processes with breach in mind. We need to anticipate that even with the best efforts, breaches will occur. Systems need to minimise impact, and be designed for recovery.

Next steps:

Professor Carsten Maple spoke at the 2018 BSA Conference. For information and updates on the 2019 conference visit bsaconference.org





The hot topic of diversity: an introduction to the diversity special

Workplace or workforce diversity is a hot topic in Boardrooms, in Government and amongst our regulators. However, it can easily be misinterpreted and if you have been reading the media recently you could be forgiven for thinking it is solely about gender.



By **HILARY MCVITTY**,
BSA Head of
External Affairs

Strategically and practically workplace diversity is so much more, well, diverse! Yes, gender is an important part of the mix, but it's also about things like ethnicity, disability and sexual orientation. Skills and experience both in the work place and in life more generally also play a part.

For businesses there is huge strategic and practical value to be gained from having a diverse leadership team and wider workforce: The avoidance of groupthink at Board and executive level; mirroring the customer base you serve and drawing the best talent from the widest sources – not always the most obvious ones. The apprenticeship route is allowing businesses to adopt a different approach on the last of these three.

One High Street Bank for example no longer automatically employs graduates but has a well-developed apprenticeship programme. Apprentices are

employed based more on their attitude than their educational achievements. There has been some notable success stories of individuals moving swiftly from the programme into early career leadership positions and this approach is contributing to their workforce diversity.

“Gender is an important part of the mix, but it’s also about things like ethnicity, disability and sexual orientation.”

Back to gender diversity. It is the most well covered topic with good reason – there isn't enough of it. It should not be about the arithmetic “add women and stir”, but this is a persistent issue and sometimes a change agent is needed. The Treasury and the Treasury Select Committee are most definitely on the warpath in relation to the Women in Finance Charter which could well be that necessary, if imperfect, step on

the road to effect permanent strategic change.

In May the Bank of England hosted a seminar for central banks around the world on gender diversity and career progression. The ECB and Federal Reserve pointed to suggestive evidence that more gender diverse Boards provide better monitoring and strategic advice but pointed out that there is a minimum threshold of c17% female representation below which this positive trait becomes ineffective.

There are some excellent examples of what is happening in our sector, from the award-winning apprenticeship programme at the Yorkshire Building Society, to the diversity champions at the Coventry. Plus, the BSA and members who have signed up to the Women in Finance Charter. Diversity is a huge subject and there is loads more to do.

Over the next pages you will hear from a range of external

contributors who each covers their own area of diversity expertise. From Simon Fanshawe, Co-founder of Diversity by Design and a very popular speaker at the BSA 2018 Conference, to Nicola Golding who talks frankly and movingly about her employment journey as a disabled person. For a customer's perspective read the thoughts of Esther Mukoro, Co-founder of personal finance blog, Moneynuggets, who is very clear that the financial needs of men and women are different and from Jon Terry, a Partner at PwC, who reflects on the recent gender pay gap reporting and the direction that building societies will now take. We have only scratched the surface – this is certainly a topic that will continue to be revisited.

Next steps:

The BSA is running seminars with Simon Fanshawe, co-founder of Diversity by Design. For more information contact: hilary.mcvitty@bsa.org.uk



By **SIMON FANSHAW**
OBE, Partner, Diversity
 by Design

Diversity by design at the BSA Conference

Fresh from speaking at the BSA Annual Conference, Simon delves into his approach to organisational diversity.



The first thing to say after speaking at the BSA Conference is thanks for hearing me out. Having just finished six years on a Housing Association Board (one that needed some rescuing, it must be said) it was great to meet so many who work in and run businesses with the financial rigour that enabling the security of owning a home demands, but also the special purpose that comes from being in business "for people not shareholders". Putting into action social purpose through financial exactitude and ambition is thoroughly satisfying.

In my speech I argued that the debate about how to achieve greater diversity in Building Societies should start, not from the arithmetic of identity ('more women' etc.), but from the core purpose of your businesses. Talking with members I got the strongest sense of how important that core purpose is, and how significant your Societies are in the local areas – that in so many cases give you your names.

Our approach to diversity flows from a desire to enable organisations to develop and deploy the talent of all their staff to their fullest potential. In the session, I identified a number of talent deficits to illustrate just how bad UK business is at removing existing talent blocks. I made you turn to your neighbour and say to him or her "That is as far as you are going in your career. That's it" And you all found (as do

all audiences) that it is very difficult to say that to someone directly. Yet that is precisely what organisations are saying to certain groups in their staff. There are still more men called John, David and Andrew in the top 300 jobs of the FTSE 100 than there are women.

The point is not that there's something inherently at fault with white men. There isn't. The point is that, without being cute about it, it's statistically rather unlikely that the vast majority of the "best" people to run British industry all come from one demographic.

"The process enables people to make that choice, un-diverted by biases or preconceived notions, by concentrating on the evidence."

So, at Diversity by Design we have created a way of taking organisations and/or teams on a virtuous circle:

- What are you trying to achieve (goals)?
- Who have you got?
- How do you describe the difference needed to achieve or better those goals?

Organisations can then recruit the person who actually fulfils the criteria. The process enables people to make that choice, un-diverted

by biases or preconceived notions, by concentrating on the evidence. The process was developed from research, mainly by the doyenne of this area of work, Professor Iris Bohnet (a behavioural economist, who is the Roy E. Larsen Professor of Public Policy, at Harvard Kennedy School) and her team, and our experience of trialling it with clients.

It is producing results already. Recently we used the process with a Faculty of Engineering in one of the biggest UK Universities to appoint two Associate Professors. They worked with us to establish exactly what they needed in the two (all male) teams. The applications were 85% male (usual for Engineering), but, by not using CVs and looking at evidence blind, the shortlist was 65% men. Without quotas, or in any way trading off diversity against excellence, we increased opportunities for female applicants by more than double.

Diversity by Design is partnering with the BSA to run seminars over the next few months to equip Building Societies with the means to maximise talent at all levels, including Boards, to create more diversity to sustain the mutual sector for the twenty first century.

Next steps:

For more information on Simon's upcoming BSA seminars, visit bsa.org.uk/diversityseminar



Let's talk about disability in the workplace

Hi, I'm Nic. A cat-loving, tea-drinking digital project support assistant with cerebral palsy and a walking frame called Ivy. I also have a first-class honours degree, a blog, and a YouTube channel. It is thanks to the blog and YouTube channel that I was featured in the second series of *Employable Me* on BBC Two.



By **NICOLA GOLDING**, Blogger and Founder of *View From a Walking Frame*

By the time the TV crew reached out to me, it was over five years since I'd finished university and I still hadn't had a proper job, only a 12-week internship and some freelance work.

As much as I hate to admit it, I still don't really know why it took me so long to finally find employment. Of course, my disability isn't the only reason, but I don't think it helped. It actually took me a long time to admit that it might even be a factor.

Any employers out there reading this might not think disability would impact on who they chose to hire, and on the surface, it probably wouldn't. However, it could happen without you even realising. I think it's something we all (myself included) need to be mindful of.

Still not convinced?

Imagine that I turn up at your office with my walking frame for a job interview. What would catch your attention more; the frame or me?

Imagine, before we even sit down to chat, that I've already struggled to get through doorways and dropped all of my stuff, which you had to pick up for me because I can't bend down easily. Could you put all of this out of your mind and properly focus on my answers to your questions?

It's fine if the answer is no. I, as a disabled person, am giving you permission to admit you'd feel



"Imagine that I turn up at your office with my walking frame for a job interview. What would catch your attention more, the frame or me?"

these things. All I ask in return is that you share them with me so I can try to help you relax.

My mind will be all over the place as well, except while you're probably thinking 'there's no way she's going to be able to work in this building; what if she falls over' I'm thinking 'how am I going to convince them that I don't care about the building, I just care about the job'.

Employers are often afraid to ask interviewees about their disabilities because of discrimination. But is it actually discrimination to not

give someone the chance to talk about their own needs and abilities as early on in the recruitment process as possible? I don't know for sure, but it would certainly help if we did.

I've been to several interviews where I've asked the interviewer directly if they wanted to ask anything about my disability. Nearly all of them said no. This feels like a massive punch in the gut.

Everyone always has questions. I have about a million questions I want to ask every other disabled person I meet. It's perfectly

normal to be curious. I'm instantly unsettled by anyone who claims not to be.

I have a full-time job now. I get Access to Work funding to pay for taxis to and from work. I have a custom built chair to fit me because I'm only 4ft 10', and a headset plugged into my desk phone. Sure, people help me open doors, and they bring cups of tea to my desk for me, but essentially I just do my job like everyone else.

Simple really.

Next steps:

You can keep up with Nicola's blog viewfromawalkingframe.co.uk or on Twitter [@NicolaG01](https://twitter.com/NicolaG01)

special



By JON TERRY,
Partner, PwC

Gender pay disclosures: What direction will building societies take?

With the reporting deadline for the first round of gender pay disclosures passing on 4 April, companies across the UK are taking the opportunity to reflect on their results and implications. In the building society sector there are a number of clear themes.

The disclosures in focus

Employing entities with 250 or more employees were required to disclose key statistics on gender pay, with some smaller entities choosing to disclose voluntarily. Ten building societies disclosed results, with mean hourly pay gaps as follows:

Society	Mean gender pay gap	Society	Mean gender pay gap
Nationwide	29%	Principality	31%
Yorkshire	31%	West Bromwich	38%
Coventry	33%	Nottingham	35%
Skipton	30%	Newcastle	29%
Leeds	31%	Cumberland	41%

What is apparent is the homogeneity of the pay gaps – with all ten societies disclosing mean hourly pay gaps between 29% and 41%. This highlights the similar workforce structures in each society. The quartile distribution of males and females at each society reinforces this similarity, with each society disclosing 67% – 80% females in the lowest pay quartile, but only 34% – 55% in the highest.

“Across the sector, a key cause of the pay gap is that branch networks employ far more women than men. This trend is reversed in senior management and executive teams, who are higher paid.”

Digging deeper into the numbers, there is a negative correlation between the hourly pay gap and employee numbers. This is possibly a result of the larger societies tending to have a higher ratio of branch staff to management, which lessens the impact of the greater number of men in senior roles (who are higher-paid) on the pay gap.

What next?

The results highlight a number of considerations for each society, including:

1. How will societies manage the impact and reaction from all stakeholders (including employees and members) that the numbers show the extent of the work still to do to eliminate the pay gaps?

2. How will this year’s numbers compare to the 2017 – are the gaps narrowing and how will societies manage the messaging?
3. What focused actions can be taken to accelerate the narrowing of the gender equality issues?

Across the sector, a key cause of the pay gap is that branch networks employ far more women than men. This trend is reversed in senior management and executive teams, who are higher paid. Consequently, a strategy to reduce the gender pay gap must surely be two-pronged: attracting, retaining and developing more women into senior management AND attracting more men to work in branches.

To assist in addressing the issue of more women in management, seven building societies have signed up to the Women in Finance Charter, involving setting targets for the number of females in senior roles. To date, the societies are performing well against these targets:

Society	Target female representation (in senior management)	Has target been met?
Nationwide	33% by 2020	Met at Board level/ExCo
Leeds	33% by 2021	Met
Principality	33% by 2021	In progress – 23%
West Bromwich	30% by 2020	In progress
Nottingham	Maintain 30%	Met
Progressive	38% by 2019	Met
Market Harborough	Maintain 33%	Met

I have no doubt that the spotlight on diversity across the sector (and the whole of financial services) will remain until the pay gaps are narrowed to much closer to zero. Societies have a way to go, but being transparent about the issues and progress they are making is important. My expectation is that societies will react positively to the challenge and lead the way in addressing their gender pay gaps and promoting diversity.

Next steps:

For more information please visit pwc.co.uk



Matters of money:

Why men and women are so different

Occasionally someone will ask me “Do women actually have different financial needs to men?” My answer is always, “Yes, absolutely!”



By **ESTHER MUKORO**, Founder, MoneyNuggets

Many think that when it comes to managing money and building wealth, men and women face the same challenges. However, this isn't true – and there's plenty of research to prove it.

Take the results of the Boston Consulting Group Global Inquiry into Women and Consumerism. Over 12,000 women from across the world shared their opinions on the financial services industry. The bottom line? Women are unhappy with the advice they receive. The report states they are “more dissatisfied with the financial services industry than any other industry affecting their daily lives.”

So why exactly do women have a different set of financial needs?

1. The gender pay gap

Quite simply, women generally have less money available to save, spend and invest compared to men. On average, women earn just 82p for every pound earned by a man in the same job. Many organisations recently came under fire for paying women significantly less than men, from its entry-level staff to its highest-earners.

2. The price of motherhood

The ‘motherhood penalty’, or the drop in earnings a woman experiences as a result of having children, is an issue. The Trades Union Congress (TUC) states that on average, by the age of 42, mothers who work full-time earn 11% less than childless women of the same age. Conversely, when a man becomes a father, his income is likely to get a boost. On average, a father with a full-time job will earn 21% more than his childless male colleagues. Similarly, the Office of National Statistics (ONS) states that women undertake 26 hours of unpaid work around the home per week, compared with 16 hours for men, arguably leaving less time to dedicate to finances.



“The TUC states that on average, by the age of 42, mothers who work full-time earn 11% less than childless women of the same age. Conversely, when a man becomes a father, his income is likely to get a boost.”

3. Pension discrimination and longer lives

Statistics from the TUC show that, on average, women have £7,500 in defined contribution scheme savings – men have an average of £14,500. In addition, life expectancy is currently at 79.1 years for men and 82.8 for women (ONS 2017). Therefore, women need more money to support their twilight years and to cover costs such as healthcare or supported living. These combined factors significantly lower a woman's total amount of capital at, and into, retirement.

4. Different implications in divorce and separation

A report by the Chartered Insurance Institute (CII) revealed that the average woman does significantly worse post-divorce than her ex-husband. The typical divorced woman has less than 33% of the pension wealth than that held by an average man who has split from a female partner.

5. Women aren't well-represented in the finance industry

One Oliver Wyman report highlighted that women hold only 20% of senior positions in the finance industry. This is changing but there is a long way to go, meanwhile women are being advised and serviced by an industry that is both run by, and targeted towards, men.

6. Poverty in retirement is a predominantly female issue

Worryingly, only 37% of women contribute to personal pensions. The state pension amounts to £8,546.20 per year – not nearly enough for most people to live on. Furthermore, because an individual needs to have clocked up 35 years of National Insurance contributions to be eligible for the full rate (equating to around 30 years of employment), only around 50% of women will receive this amount.

So what does all this mean?

The average woman's career path and lifestyle should be taken into account when addressing the critical need for tailored products and services. Similar to mortgage products developed for the self-employed etc., they will ultimately help make women's money work harder.

Next steps:

MoneyNuggets.co.uk is a personal finance blog for women who want to take charge of their finances, achieve their financial goals and secure their financial future.

international

BSA 2018 study tour: Learning from overseas mutuals



By **STANLEY V. RAGALEVSKY**, Partner
K&L Gates LLP

The BSA and a group of UK building societies headed to Boston, Massachusetts, on a study tour to learn about how various American mutual organisations operate, what challenges and opportunities they face and whether, or how, their purpose aligns with UK mutuality. Stan Ragalevsky a partner at K&L Gates LLP in Boston and leading advisor to US mutual banks played host to the UK delegates. Here, he shares his experiences and what he gathered from the tour.

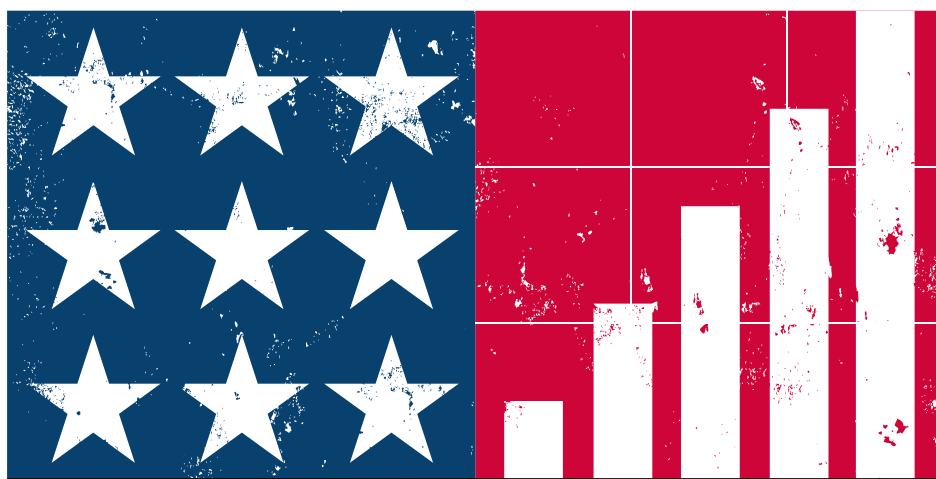
The May 8-11 BSA 2018 study tour to Boston, Massachusetts was a serious exchange of ideas between UK building societies and US mutual banks about the issues which are keeping them up at night. Massachusetts has the greatest concentration of mutual banks in the US with more than 90 mutuals still headquartered in Massachusetts. The oldest is celebrating its 200th anniversary this year.

The program which I designed with Robin Fieth, BSA Chief Executive, involved three days of in depth meetings with, and presentations by, leading US mutual bankers, regulators and advisors.

We covered subjects including; collaboration efforts by mutual banks and credit unions in offering services and partnering with fintech companies to remain relevant in the marketplace. We also studied outsourcing back room mortgage underwriting and processing functions. Other areas that were touched upon included more intensive strategic planning, economic sustainability, governance, regulation, compliance and talent management. We also discussed how large commercial banks in the US are using technology to attract deposits.

The delegation particularly enjoyed a meeting hosted by the Federal Reserve Bank of Boston with key bank regulators from the Federal Reserve, FDIC, OCC and Massachusetts Division of Banks where they discussed differences in UK and US regulation. Another highlight was an extended tour of Salem Five Cents Savings Bank, the leading mutual residential mortgage lender in Massachusetts, to better understand residential mortgage origination, underwriting and servicing in the US.

The dialogue and sharing of ideas between UK building societies and US mutuals was most productive. Major differences between



the US and UK include: the US mortgage market is controlled by FNMA and FHLMC, government sponsored entities, which promote 30 year fixed rate mortgages, but UK building society product offerings are simpler with tighter operating margins and no 30 year fixed rate mortgages.

“One comment I heard from several participants was “The issues we face in the UK and US are the same; how we attempt to solve them is not.”

One comment I heard from several participants was “The issues we face in the UK and US are the same; how we attempt to solve them is not.” Perhaps the greatest benefit from the study tour for both UK and US participants was it highlighted the importance of UK building societies and US mutual banks, reaffirming their mission and purpose with the public while offering quality, cost effective services to members. The core value underlying the mission and purpose of UK building societies and US mutual

banks is trust. Their most important objective is benefit to the member, not profit to the provider.

UK building societies and US mutual banks are unique institutions which have improved the lives of the people in the communities they were formed to serve for more than 200 years—and with no serious adverse consequence or financial loss to their members. No other form of business organisation can make that claim.

The business model of a UK building society or US mutual bank is different from a commercial bank. It is not obsolete. Just different. Mutual financial institutions exist in more than 100 countries. They must be doing something right. The BSA study tour to Boston gave all participants many useful insights and ideas in addition to the simple comfort of knowing that they are neither obsolete nor alone. We are looking forward to the next study tour in 2020.”

Next steps:

For more information on K&L Gates LLP please visit klgates.com



“Mutuality, Customer Experience and Fintech”

– Marsden takeaways from Boston

Marsden Building Society CEO, Rob Pheasey reflects on a three-day programme with a group of BSA delegates in Boston, learning about financial services and regulation in the States...



By **ROB PHEASEY**,
Marsden Building
Society Chief Executive

Although there were many highlights on the Boston tour, I will reflect on the key points that I will take back and share within the Marsden...

Fintech

With over 5,000 financial institutions in the US, cutting through the noise to deliver financial services to members is challenging. What strikes me about the American model is the standardisation of products and services, and the deployment of digital solutions to serve members.

In a retail market dominated by larger American banks, smaller mutual organisations have embraced technology to support their delivery. Rather than a competitive advantage, digital is seen a prerequisite for doing business- their chequing or clearing accounts are a primary aspect of ongoing member relationships.

Collaboration

The degree of collaboration among American credit unions really stands out. It has been formalised with a Credit Union Service Organisation (CUSO), where 20 member credit unions provide a platform for collaboration across new lending activities, loan sales service, joint purchase opportunities and management support. In coming together, the credit unions hope “to spark collaboration, joint negotiations and innovation”.

For me, regional building societies have strong informal collaborative discussions and many of us use the same technology suppliers – agreeing roadmaps for further developments and innovation.



“Our US counterparts have achieved a consistent technology delivery that is retrospectively branded to them individually.”

We support one another with regulatory changes and in collaboration with third parties for products and services where we do not originate.

Retaining the brand personality of our organisations is important – our US counterparts have achieved a consistent technology delivery that is retrospectively branded to them individually. They focus on what is important to maintain their member relationships, collaborating in areas that make their business more efficient.

The reminder from the trip is the pace of fintech change and the level of disruption that is already

members. We see the UK financial services marketplace as being digitally disrupted, with growth in new entrants to established markets. However the pace of consolidation amongst the financial institutions in the US looks set to continue, having seen a rise in formal collaborative arrangements to share both ideas and costs.

Reflecting on the Marsden’s own business challenges, our work on customer experience and journey mapping, and greater utilisation of digital – both in platform and in customer insights – remains a high priority within our business plan.

Being Mutual Together

Our mutual heritage provides a real opportunity to deliver my two points above. With a shared interest in the building society sector, if we pool resource to develop solutions for key problems – such as mortgage retention and customer engagement – we would cut issues down in terms of due diligence, infrastructure and implementation, and see a much faster pace of development.

Often, given we have a large pool of mid-tier and smaller societies, size can sometimes be a barrier. However, I think with the right collaboration, size is an opportunity. This, combined with our heritage around doing what’s right for our members and delivering great customer experience, presents the opportunity to lead the way to delight our customers.”

Next steps:

Keep up with the Marsden: themarsden.co.uk and Rob: [linkedin.com/in/rob-pheasey-00a48222](https://www.linkedin.com/in/rob-pheasey-00a48222)

here – the US is ahead in digital service delivery.

Customer experience & locality

Like their UK building society counterparts, US credit unions and member-owned community banks have a real affinity with their operating areas. Whilst some centre on industries or professions, the majority operate with a strong high street and digital presence. An important aspect of their loan business is based on face-to-face interaction and solid foundations for distribution.

Like us, they face the challenge of remaining relevant to their

data protection



By **DAVID COOK**,
Cyber security and data
protection solicitor at
Eversheds Sutherland

Are subject access requests the weakest link in your GDPR compliance chain?



While GDPR is now with us, many organisations are still battling with closing the compliance gap and we continue to see a market that is buzzing with remediation activity.

One pressure point is in responding to subject access requests (SARs). Failure to respond properly could lead to a complaint to the regulator – and all that comes with it.

The data subject has the right to obtain access to their personal data held by the data controller, as well as information such as why it is held, and for how long.

SARs are certainly not a new concept – the new GDPR extends the subject access right contained within the Data Protection Act 1998. However, organisations may encounter potential problems in fulfilling the new requirements.

Issue	Data Protection Act 1998	GDPR
Deadline to respond	40 days	One calendar month
Fee	Up to £10	Cannot charge
Format	Intelligible	Concise, transparent, intelligible and easily accessible

While a relatively small value, a £10 fee to respond to a SAR provided a barrier to requests. Removing the ability to charge a fee will naturally trigger an increase in the frequency and volume of such requests.

The reduction in days to respond is important. Organisations must plan to respond to SARs within 28 days.

GDPR carries enhanced sanctions based on a two-tier system; compliance with subject access requests falls within the higher tier and carries a potentially significant penalty.

The possible penalty for a data controller is up to 4% of annual worldwide turnover or €20 million – emphasising the importance of GDPR to the regulator. In addition to fines, the regulator can now conduct a compulsory audit, stop processing altogether and seize processing equipment.

Wherever an organisation is in its compliance journey, it should turn its mind to this issue. A regulatory complaint by an unhappy data subject is a sure way to land in the spotlight. Given the level of fines attached to GDPR failure, scrutiny of any kind by the regulator would be unwelcome.

Organisations should consider the following:

1. Understand what personal data you hold and where it is held.

The first step in responding to a SAR is locating all personal data held about an individual. Data mapping or data records are a good place to start.

2. Train employees to know what a SAR looks like.

It does not have to be headed “subject access request”, so every person in an organisation needs to understand their role and how to escalate a SAR quickly and accurately.

3. Formulate a proper triage and review process.

Determine who deals with SARs, and ensure they understand what must and must not be disclosed.

4. Stress test your approach.

How would your organisation deal with one request a month? What about one a week? How about one an hour? Understand limitations; define your capacity to respond and when external support is required. A pre-agreed mechanism with an external provider is prudent and will save time and cost should requests become unwieldy or there is a spike in volume.

It is said that you are only as ever as strong as your weakest link. Failure to deal with SARs – which should be routine and manageable – could unravel an organisation, and will certainly push them into the regulatory spotlight. Tightening up operations in this area is an easy-win.

Next steps:

For more information visit eversheds-sutherland.com or follow [@cybersolicitor](https://twitter.com/cybersolicitor)



Educating the next generation



By **KATE CREAUGH**,
Public Affairs
Manager, BSA

Representatives from the building society sector joined the Economic Secretary to the Treasury to deliver a financial education session at a London primary school. Would a group of 6-7 year olds understand or care about financial matters? Would the lesson engage these young pupils? Kate Creagh recalls her experience...



Financial education – We all know how important it is, and that we should help children understand how to manage their money. But I don't often get a chance to do something about it. That was until I was given the opportunity to visit the amazing Grafton Primary School in Islington, and help deliver a financial education class with John Glen MP, the Economic Secretary to the Treasury, Mike Regnier, the Chief Executive of the Yorkshire Building Society and Nigel Moore, the Strand Branch Manager.

A programme for everyone

Yorkshire Building Society has a well-developed 'Money Minds' programme. It is aimed at helping children and young adults between the ages of 5 and 19 to better understand how to manage their finances. The Money Minds website provides resources for staff to download and use, enabling

financial education to be accessible to a wider audience, and taught on a larger scale. It also provides the opportunity for schools to sign up to have Yorkshire Building Society staff come into the school and deliver the session.

Wants and needs

The lesson focused on 'wants and needs' and was delivered to a class of 6-7 year olds. In the session we focused on understanding the difference between the things we need; like food, shelter and clothes, as well as the things we want; such as ice cream, sweets and games consoles – a popular option with the class, it took a while to understand that they aren't a 'need'!

In addition to a class discussion about pocket money, saving up to buy something and the concept of budgeting, there were plenty of activities for the children to grapple with and make decisions about. The first activity was to

identify costs in the home, such as food, furniture, electrical appliances and often-unseen utilities such as gas and electricity. The children then had to choose two items they needed and wanted on a desert island. This was a very popular exercise and ice cream, games consoles, mobile phones, water, food, shelter and clothes were on the list. Water, food and shelter were high on the 'needs' list, and ice cream and games consoles made appearances on the 'wants' list.

The final activity focused on how different people have different needs and wants. Using the example of a younger sibling, such as a baby, and their own wants and needs really did help bring the differences to life in a very real way.

The session concluded with feedback from the children, detailing what they had learnt. I particularly valued the children's feedback: They clearly enjoyed the

session and had learnt something new through it. I enjoyed the session and appreciated working with colleagues on it. I also thought about my wants and needs afterwards and changed my shopping habits.

Brighter futures

The Money Minds programme is great example of how Societies can make a real difference in their communities. If children are introduced to money matters from an early age, they will be better equipped to make stronger financial decisions into adulthood. Delivering such programmes in schools gives all children a fair chance at securing a resilient financial future for themselves – that's got to be something we can all get on board with!

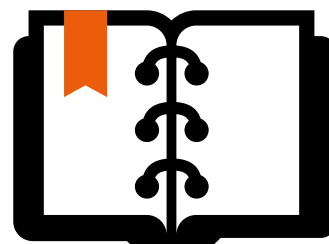
Next steps:

More information on the Money Minds programme can be found at money-minds.co.uk

Dates for your diary

Knowledge sharing and educational events for building societies, wider mutual organisations and beyond.

Register to attend the below events at bsa.org.uk/events



Workplace diversity – by design

11 September 2018, London

Many of you who attended the BSA Conference in Manchester in May will have heard Simon Fanshawe OBE, co-founder of Diversity by Design speak. If you did, you will hopefully have picked up that it's a demonstrable fact that the power of difference that comes from workplace diversity helps organisations drive better performance.

These events are designed to help members and associates get the best person for the job by building the best teams and at the same time increasing diversity.

Open to: BSA members and associates only

Cost: £250 per delegate (VAT exempt)

Research Symposium on Financial Mutuals

12 September 2018, London

The BSA is hosting a second Research Symposium on Financial Mutuals at Cass Business School, London.

The aim of the Symposium is to bring together academics and researchers who are interested in financial mutuals and co-operatives, and their role in the economy, to develop a network of researchers and hopefully stimulate ideas and new research.

As well as academics, we will be inviting researchers from think tanks and policy specialists from Government, regulators and the Bank of England, and practitioners from building societies and credit unions.

Open to: The symposium will be of interest to BSA members and associates, industry regulators and policymakers, commentators, and of course other interested researchers and academics.

Cost: BSA members and associates: £145 per delegate (VAT exempt)

Non-member organisations: £195 per delegate (VAT exempt)

Academics: £20 per delegate (VAT exempt)

Conduct 2018 – Your customers, your regulators, and your people

September – November 2018, London

Our programme of three events examines conduct from all practical aspects – your customers, your regulators, and your people. The first in the series, Your Customers and Members on 18 September, looks at conduct from the consumer's point of view, answering key questions.

Your Regulators on 19 September identifies the conduct regulators' key priorities. It also provides insight on navigating the FCA's flexible portfolio, and takes a very practical look at FCA enforcement.

The final event – Your People on 15 November, examines how employment law and practice aligns with the SM&CR rules, how the SM&CR arrangements are working at a practical 'people' level, the management and reporting of conduct breach, 'reasonable steps' for senior managers, the place of indemnity and insurance, and the link between culture and conduct.

Open to: BSA members only

Cost: £350 per delegate (VAT exempt)

Crisis PR in the digital age

16 October 2018, London

The reputation of your society or credit union is one of your major assets. Your reputation affects whether you retain existing members and recruit new ones. When an issue arises or a crisis hits, and there have been plenty in the news recently, the way that you as communicators handle it can make the difference between enhancing your society's reputation and losing it. Social media adds an extra dimension, in how far and how fast stories spread.

This programme is specifically geared towards anyone with external communication responsibilities within their organisation, whether it is a full time role, a part time responsibility as part of a portfolio role or just as part of a crisis management team.

Open to: BSA members and associates

Cost: £575 per delegate (VAT exempt)

Cyber simulation exercise

22 November 2018, London

Test your organisation's cyberattack resilience and its aftermath management plans in the event of a 'successful' cyberattack. In conjunction with EY, the BSA has set up this building society-specific simulation which will test incident management capability in a high pressure but thoroughly valuable session.

The package will include:

- A half-day simulation exercise based on a realistic cyber crisis scenario – including technical, operational and reputational challenges
- A team of 4-5 individuals from each participating society – ideally from its crisis management team
- Feedback for each participating team from EY consultants observing the exercise
- A follow up report by EY on the exercise, focusing on key take-aways from the session

Open to: BSA Members only

Cost: £4700 per society (VAT exempt)

Please note: Places allocated on a first-come, first-served basis and each course will only go ahead if we receive registrations from at least 5 societies.

Next steps:

The BSA events programme is regularly updated – for full listings please visit bsa.org.uk/events

