

Yorkshire Building Society

Financial Promotions Policy Overview

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1. Purpose

The Purpose of the Policy

The Policy aims to ensure that Financial Promotions meet applicable regulations and legislation set out in Applicable Regulations and Legislation, in addition to being “clear, fair and not misleading”. It will also ensure that risks associated with the use of Financial Promotions are controlled. Key risks associated with Financial Promotions include that they have the potential to:

- Mislead customers and create unfair outcomes
- Conflict with the Groups culture, values or strategic priorities
- Cause damage to the Groups brand and reputation.

Applicable Regulations and Legislation

Financial Promotions play a key role in the FCA’s overall aim of delivering an efficient and effective retail market in financial services and in helping customers achieve a fair outcome.

A single overarching principle is that all Financial Promotions must be “clear, fair and not misleading.”

Legislation and regulation of Financial Promotions is an area of considerable complexity. It is beyond the scope of this policy to detail all legislation and regulations that have implications for Financial Promotions.

However, the following are the main (though not exhaustive) areas of legislation and regulation that impact the scope of this policy.

- Section 21 of the Financial Services and Markets Act 2000 (FSMA), the resulting remit of the FCA, their requirement for Treating Customers Fairly Principles, and its interpretation in the “Clear, fair and not misleading” rule. Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (FPO)
- BCOBS - Banking: Conduct of Business sourcebook
- COBS - Conduct of Business Sourcebook
- PERG - Perimeter Guidance
- Business Protection from Misleading Marketing Regulations 2008 Consumer Rights Act 2015 (from 1 October 2015)
- Consumer Protection from Unfair Trading Regulations 2008 as amended by the Consumer Protection (Amendment) Regulations 2014
- ICOBS - Insurance: Conduct of Business sourcebook
- MCOB - Mortgage Conduct of Business
- Misleading Advertisement Regulations 2003
- Data Protection Act 2018
- PECR - Privacy and Electronic Communications Regulations
- Advertising Codes (CAP, BCAP) and decisions from the Advertising Standards Authority (ASA)

Requirements of the Policy

All individuals and departments engaged in the origination, approval and review of Financial Promotions should be aware of this Financial Promotions policy and adhere to the approach set out in the Marketing Operations system Aprimo.

2. Scope

This policy applies to all individuals and departments engaged in the origination, approval and review of Financial Promotions:

- Marketing, Digital Channels & External Affairs
 - Origination of Financial Promotions
 - Management of the Financial Promotions approval procedures
 - Oversight and checking of Financial Promotions
 - Ongoing refresh of Financial Promotions that reach their expiry date
 - Trading teams, Customer Services, New Ventures (and any other Originating teams) Origination of Financial Promotions
 - Adherence to the Financial Promotions approval procedures
 - Checking of Financial Promotions
 - Ongoing refresh of Financial Promotions that reach their expiry date
- Conduct and Operational Risk
 - Oversight, checking and approval of Financial Promotions
 - Oversight of the Financial Promotions policy and approval procedures
 - Guidance in respect of standards and regulation to originators of Financial Promotions
 - Training and support for teams within YBS that originate Financial Promotions
 - Monitoring and reporting
- Compliance & Oversight Risk
 - Oversight, guidance and advice
- Legal
 - Sign off of Non-Financial Promotions that require specialist Legal advice and guidance such as Terms and Conditions and Application Forms.

This policy applies to all Financial Promotions offered by all YBS brands.

It applies to all promotions, whether in support of Society or Third Party products.

It applies to all media, both written and otherwise, including, but not limited to:

- In-branch posters, window decals, screens and leaflets
- Direct marketing material, letters, e-mails, door drops and leaflets
- Hard copy advertisements such as those in newspapers and magazines
- Broadcast advertisements on TV and radio
- Online materials including static webpages, banner ads, and search-engine marketing content
- Social media postings
- Post Sale Communications

Communications that do not meet the definition of Financial Promotions are out-of-scope e.g. press releases; internal and non-customer facing forms / documents.

Non-Financial Promotions are not covered by this policy.

3. Definitions

Financial Promotions are communications which invite customers and /or businesses to transact with the Society. The Financial Conduct Authority (FCA) defines a Financial Promotion as follows:

“A financial promotion is an invitation / inducement to engage in investment activity communicated in the course of business”.

Invitation - As per PERG 8.4.5 “an invitation is something which directly invites a person to take a step which will result in his engaging in investment activity”.

Inducement - As per PERG 8.4.7 “an inducement may be described as a link in a chain where the chain is intended to lead ultimately to an agreement to engage in investment activity”.

However, “only those that are a significant step in persuading or inciting or seeking to persuade or incite a recipient to engage in investment activity....will be inducements”.

Although, “in many cases a preliminary communication may simply be an inducement to contact the communicator to find out what he has to offer”.

A preliminary communication is likely to be a significant step, and therefore an inducement, where the material has pictures, slogans which attempts to create a need for the customer and persuades them to engage in an investment activity with YBS i.e. through taking out mortgage or savings products on the subsequent landing pages.

The Originator of a Financial Promotion is the individual who initiates and owns the communication, ensuring it follows the Policy and procedures built into the Aprimo workflow and which are available in the Aprimo asset library.

4. Policy Statements

4.1 Design of Financial Promotions

- Originators of Financial Promotions will ensure that they are “clear, fair and not misleading”. This includes ensuring that adverts and promotions do not encourage customers to purchase inappropriate products.
- Financial Promotions will be developed to help customers to understand fully “the deal”, comprising features, benefits, risks, exclusions and costs of the products they buy.
- Financial Promotions will be “standalone compliant”. This means they will be compliant with any relevant regulations and legislation as a single communication and will not rely on important additional information found elsewhere.
- YBS will consider both the objective of the promotion and the target audience for the activity in the creation of the communication. Financial Promotions will be as simple as possible and seek to reduce or eliminate unnecessary or unrequired small print.
- All claims will be substantiated.

4.2 Origination, Approval and Review of Financial Promotions

- Financial Promotions can be originated from departments other than Marketing and Digital Services.
- It is the responsibility of the originating area to understand the definition of Financial Promotions and to follow the approval procedures contained within our process manuals.

- Financial Promotions Content must be authorised by a minimum of Originator, the Trading Team / Specialist Business Area, Team Leader/peer review, Conduct and Operational Risk and any third-party approvers
- The Customer Selection Brief must be reviewed by a minimum of the Originator, Marketing Analyst and Marketing Analyst Manager. For rate Change, rationalisation, mandatory, maturities or complex mailings, trading sign off must also be included.
- YBS SharePlans (Share Incentive Plan or SIP documents) are approved by their own First Line of Defence (FLOD) without being referred to Conduct and Operational Risk for final approval.
- Financial Promotions will only be authorised for publication if the Customer Communication approval process has been followed satisfactorily and reviewed by the Marketing team.

All Financial Promotions will be approved for a defined period and for no longer than a year. Originators of Financial Promotions are responsible for ensuring that they are reviewed at their expiry, or earlier if there is a material change that affects the validity of the Promotion. Any expired / obsolete items must be withdrawn by the Originator until their full re-approval in the Aprimo system

4.3 Record Keeping

- The Society will ensure adequate records are kept of communications with customers, and their approval, to ensure there is visibility over its promises and customer expectations.
- All Financial Promotions approvals will be retained indefinitely from the date of approval, in line with regulatory requirements for the retention of records.

4.4 Reporting

- The Aprimo approval system will produce real time Management Information for Team Managers of teams who originate Financial Promotions, to identify any cases that 'fail' approval (before external publication to customers).
- Monthly Management Information will be produced to summarise the number of Financial Promotions submitted for approval, as well as the outcome of the first line assessment of each promotion.

A monthly Financial Promotions review meeting will be held involving Conduct and Operational Risk, Marketing, and Trading teams. Any 'fail' (reject) cases, or those 'approved with changes' are reviewed and it is the Team Managers responsibility to work with Conduct and Operational Risk to establish the root cause and agree appropriate corrective action.

5. Implementation and Monitoring

Implementation

Financial Promotions training forms part of the induction process for all new entrants to the Marketing function.

All new colleagues must demonstrate competence - via completion of training and associated competency assessment - before they are granted a licence to use the Aprimo system to originate Financial Promotions.

Existing colleagues are assessed continually with 100% of cases reviewed.

Any colleague identified as needing support will be required to undertake refresher training and successfully complete a competency assessment.

Financial Promotions training is required for all Originators of Financial Promotions on an annual basis, with colleagues passing an assessment to demonstrate competence.

The licence to use the Aprimo system will be withdrawn if a colleague is unable to demonstrate their competence to originate Financial Promotions.

Monitoring

The Society operates a Three Lines of Defence (LoD) approach towards risk management. Each LoD has different responsibilities for managing the risk and therefore carries different actions.

The first LoD is directly responsible for the day to day management and control of risk throughout the business, generally within business functions. They monitor the implementation of this policy through the following steps:

- A peer review is prompted for each Financial Promotion as part of the Aprimo review cycle. All Financial Promotions are reviewed by Conduct and Operational Risk as part of the approval process within Aprimo.
- Approvals are managed through the Aprimo system, which produces real time Management Information on all Financial Promotions including any that 'fail' their approval cycle.
- Monthly Management Information is produced to provide an assessment of all Financial Promotions submitted for approval, including root cause of any cases that 'fail' at review stage (before publication externally).
- Expressions of dissatisfaction MI and root cause analysis will be reviewed to identify any failings and areas for improvement in relation to Financial Promotions procedures.

The second line is accountable for competent risk management across the society and overseeing the effectiveness and integrity of the Enterprise Risk Management Framework. Compliance & Oversight Risk may include Financial Promotions within their annual Compliance Monitoring Plan. The final LoD is providing independent assurance across the first and second LoD through our internal Audit function. They will assess whether to include Financial Promotions approvals within the annual Audit Plan.

6. Approval

The policy is to be approved by Customer and Commercial Risk Committee.

The policy needs to be reviewed on an annual basis.