

Compliance Report

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Executive Summary











Context







This paper provides an update on the regulatory and compliance matters in respect of Post Office's financial services and telecoms businesses, financial crime and information protection and assurance.

Questions this paper addresses

- What are the key compliance issues and what is the business doing to address these?
- What is the forward-looking regulatory agenda?
- What are the key policy updates in the period?

Status Update

Sector	Current Assessment	Previous Assessment	Comment/Action
Financial Services Compliance and Conduct Risk			Insurance Distribution Directive delivered compliantly in last period, VMS scores in tolerance.
Telco Compliance			Was trending in the right direction following confirmation we implemented new general conditions on time. However PO need to assess Ofcom's reaction to our text relay notification on 7 Jan. See below
Information protection Assurance			IPA have some issues with resourcing, through sickness and lack of filled/approved positions within the team. Currently stretched but still in control.
AML/CTF			There are significant challenges to meet the June 2019 deadline to provide complete agent Fit and Proper to HMRC. There are still outstanding issues with the bureau de change transaction monitoring system
Whistleblowing			No material issues reported and a satisfactory audit rating has been given to controls over the Whistleblowing process

Anti-Bribery and Corruption			Minor non-conformances re Gifts & Hospitality reporting continue to be identified.
Vulnerable Customers			Alternative format literature is still to be resolved for in branch materials-expected completion Mar 19
Supply Chain Compliance			19 improvement needs from 6 audits in the 3 months to Dec. No material issues-satisfactory overall

Red-Material items of concern that require focussed remediation plans to ensure we remain in appetite

Amber-Some items of concern that could breach appetite if they crystallise or are unmanaged

Green- Broadly within appetite

Input Sought

The Committee is requested to note this paper

Report

Key issues

1 Telco Compliance

2 Text relay

- 3 Post Office is required to abide by Ofcom's General Conditions; one such condition (in existence since 2014) is associated with providing Text Relay services (this is a voice to text / text to voice service for customer with hearing / speech impediments). Post Office is obliged to discount calls for customers using this service, to compensate them for the longer duration it takes to complete this type of call
- 4 Originally it was not possible to identify Text Relay calls in the TalkTalk data provided to Post Office; consequently, Text Relay customers were charged at standard prices. In Q3 2016, TalkTalk provided a service that enabled the identification of Text Relay calls. Post Office solution for this service went live on the 29th November 2018 and Post Office has decided to provide Text Relay calls free of charge – rather than at a discount price – since.
- 5 In June 2018, there were 17 customers negatively impacted from a financial perspective, to a total of £83 (there were 53 customers affected in total, though most of them did not incur additional expense as the calls were within their bundles). Post Office is planning to credit back impacted customers where it is possible to identify them.
- 6 Following discussion with legal, compliance and external advice, it was advised to self-report the issue to Ofcom and notify them of the correction that occurred on 29 November 2018. Due to the length of time Post Office have known about the issue and that it impacts vulnerable customers this is likely to result in an investigation, a potential fine (of between £200k to £400k) and possible negative press as Ofcom will want to use this to act as a deterrent against other Communication Providers. Post Office notified Ofcom on 7 January.

7 Complaints

- 8 Ofcom complaints for Post Office Home Phone are at their lowest levels (seeing us land in the middle of Ofcom's league table). We expect to appear in the broadband complaints table in January with similar mid-range complaint levels.

9 Early Termination Charges

- 10 Under Ofcom's enforcement programme into early termination charges ("ETC"), Ofcom have written to "remind Post Office Ltd of its obligations under these conditions and to ensure it is taking all necessary steps to ensure compliance with them".
- 11 They state that having reviewed the ETC information available on our website, they are concerned with the transparency of certain elements of our ETCs. Ofcom have asked for a response, setting out our position and explaining what steps we have taken, or plan to take, to ensure compliance with Conditions C1.2 and C1.3. Post Office are currently in the process of updating the website to improve our transparency and will respond in line with this. We understand that other communication providers have received similar letters.

12 Information Protection Assurance

13 PCI DSS

- 14 Audit and Risk Committee approved our approach to achieving re-certification on the 30th October 2018. The roll-out plan covers our 11,500 branch estate (27,000 pin-pads) with a view to completing late 2019/early 2020. Once the technical changes have been implemented, we shall commence a PCI certification audit with our QSA to assess the controls and provide a Report of Compliance.
- 15 Having communicated the status of our PCI compliance we are working with our partners and clients in keeping them informed of our progress and addressing any questions they have. Working with our suppliers and QSA to attain a revised view of the progress made by our suppliers in remediating findings from the audit. This will form part of the prioritised approach document.
- 16 We had an extraordinary compliance meeting with our Banking Partners to explain the latest position with the Post Office Deputy CIO. The Banking Partners have subsequently asked for future updates to be given at our regular banking partner Security Governance Compliance Committee.

17 Incidents

- 18 Post Office Insurance (PoI) had an incident in September involving the disclosure of limited personal data (mainly email addresses) to another Post Office Travel Insurance customer which was reported (to ICO and FCA). A formal investigation into this incident was conducted and a report issued, with actions taken by PoI and its contact centre provider (WebHelp).
- 19 In November, two identical incidents were reported to the ICO relating to marketing emails that were sent without permission, one for PoI (47,000 individuals), that was also reported to the FCA, and one for Post Office Limited (9,000 individuals). An error was made by Post Office Ltd's supplier (Code) when mapping a file (from Bank of Ireland) that meant permissions given for postal marketing were mapped to the email marketing field. The permissions were corrected and processes put in place to ensure that any manual feeds handled in future are properly tested. No other manual feeds are received.

20 Resourcing

- 21 Within the Data Protection Team, the DP Officer is off sick, and the new team member is only starting on 14th Jan 2019. Additionally IPA are waiting for finance approval of a new role to support the One Trust application – crucial for ensuring compliance with the TH Data Protection Act 2018.
- 22 Within the Compliance team, recruitment of the new compliance manager has been slow (lack of candidates). Interviews have now taken place, plus the resignation of the other member means the team will be stretched until both roles are filled. This impacts the ability to aid the business on their PCI-DSS journey.

23 Financial Crime

- 24 Compliance with Money Laundering Regulations - See separate annual MLRO report.
- 25 Anti-Bribery and Corruption (ABC) update - Annual ABC training completion is at 97%. Some non-conformances continue and a 'seasonal' gifts and hospitality One Comm was published in November, with reminders relating to correct reporting requirements.
- 26 Whistleblowing update - No material issues to report. There is an audit action relating to increased communications and awareness, and a new plan of activity will be developed over the coming months.
- 27 Regulatory updates - See separate annual MLRO report.
- 28 External threats - We continue to see external attacks in relation to iTunes and Giftcard scams against vulnerable customers and branch communications have been issued as a reminder of the red flags to look out for.
- 29 Internal threats - All products and services have been reviewed for vulnerabilities exposed following an internal fraud identified in 2018 involving the bulk purchase of Postal Orders which was being abused. This facility has been withdrawn for all clients bar BoI, which is being migrated to 'Payout' to replace Postal Orders. This fraud MO could not be replicated in relation to other products and services that Post Office provides in the branch network.
- 30 Supply Chain Compliance - Six audits completed in the three months to December. 19 Improvement Needs identified with a combined audit score of 35, averaging 3 Improvement Needs and an audit score of 6, which current the rolling average for all Supply Chain sites putting them in the Satisfactory category for both measures. No significant or recurring issues over the period

31 Vulnerable Customers

- 32 We have made considerable progress on many of the items on the vulnerable customer action plan. We have also set up a defined Post Office Group to co-ordinate our actions (Vulnerable Customer Action Group). A plan is in place to ensure that alternative format literature for in branch brochures (eg braille, large print, audio) is resolved for FS&T products, expected to be in place March 2019. Fortunately we have not received any complaints in this area so far.

What is the general forward-looking regulatory agenda?

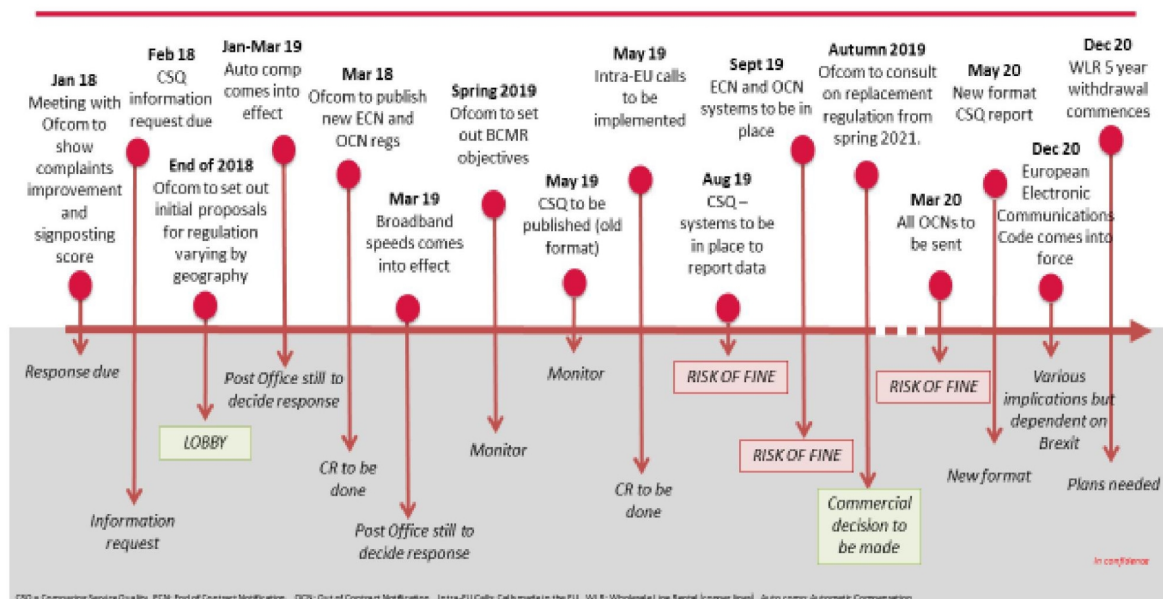
33 Citizens' Advice (CA) Super Complaint to Competition and Markets Authority (CMA) relating to the 'loyalty penalty'

- 34 Citizens Advice raised concerns in November 2018 about long term customers paying more for goods and services, which it refers to as 'the loyalty penalty'. Citizens Advice had identified five key markets where it has concerns about the loyalty penalty, mortgages, cash savings, insurance, broadband and mobile.
- 35 Excluding mobile, all of these services are offered through Post Office channels. The CMA in December strongly supported the CA complaint and is pursuing actions via the different regulators. To a large extent this is already supporting the direction of travel of Ofcom and FCA who are following a more interventionist agenda in their regulatory approach to the 'loyalty penalty' including price controls.
- 36 There are obvious strategic pricing decisions to be made together with our business partners as a result of forthcoming legislation. We are monitoring the position closely. As the various consultation papers are issued we will be working with Post Office Money/Post Office Insurance and the Telco teams to understand in more detail the likely requirements and our business response.

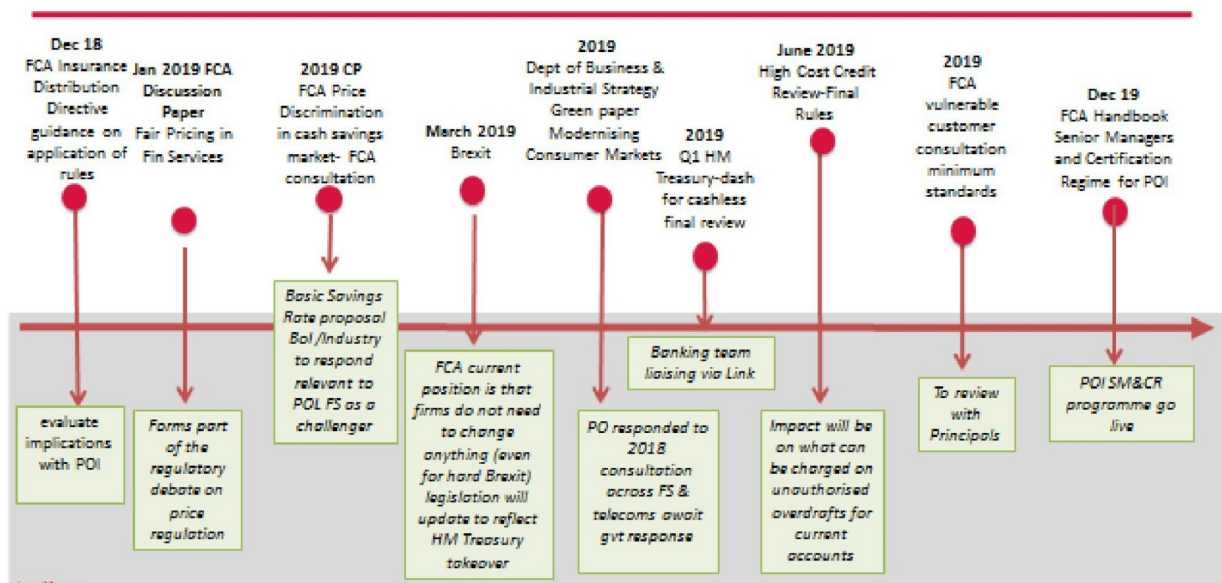
37 Telecoms Regulation

- 38 The amount of telecoms regulation is still set to increase. Next FY sees the introduction of end of contract notifications and annual reminders to those who are out of contract. This new regulation should help facilitate churn in the market but following the super complaint Ofcom have now announced a specific focus on pricing differentials and protecting the elderly with any remedies likely to have a significant impact on our business.
- 39 Q4 will see the major telecoms providers introduce automatic compensation and adhere to a new broadband speeds code of practice. Post Office is still in discussions with Fujitsu about the possibility of introducing automatic compensation and being able to comply with the broadband speeds code of practice. These rules are voluntary so any impact will be commercial.

Post Office Telecoms Regulatory Calendar



Post Office Financial Services Regulatory Calendar



Assurance Activity

35. Financial Services –BoI

36. We have been working with the BoI monitoring team to improve the value we get from their reviews and to adapt a more thematic approach to monitoring that focuses on root causes and to support us all improve. These reviews will rely on more pre work and assessing materials prior to undertaking field work.

37. The first example of the new approach is a review early this year on 'Post Office Management, Governance and Oversight of Multiple Operators'.

38. The objective of the review is to: provide assurance that POL is managing the regulatory compliance and conduct risk inherent in its multiple network effectively; and identify any deficiencies which may result in poor customer outcomes. Retail Network has been working together with PO Compliance to provide the pre-review materials.

Key Policy Updates

Please refer to the Information Security Policies Annual Review Paper

Jonathan Hill

Compliance Director
January 2019