Supplementary Data for misconduct costs

Projections Data
Purpose:
To collect granular information on the stressed projection of additional misconduct costs included within the P&L forecasts in the base case and stress scenario during the stress test horizon.

Detail:
Firms should specify the total misconduct costs included in the P&L projections template. They should also include under which line item in the P&L projections template are the costs included.

Firms should provide a breakdown of the total estimate by material misconduct risks. We expect firms to identify each risk that amounts to 10% or more of the total additional misconduct costs each year during the stress test horizon. It would be helpful if firms also report the conduct costs for the conduct issues listed in the template even if they account for less than 10% of the total misconduct costs

Definition:
For the purpose of the 2016 Concurrent Stress test Misconduct risk is defined as the current or prospective risk of losses to an institution arising from inappropriate supply of financial services including cases of wilful or negligent misconduct.

The following is a non-exhaustive list of the main types of misconduct risk:

(a) the mis-selling of financial products to retail customers (for instance payment protection insurance);
(b) the mis-selling of financial products to professional clients (for instance US subprime mortgage-backed securities);
(c) the violation of national and international laws, rules and regulations (for instance, tax rules, anti-money laundering rules, anti-terrorism rules, economic sanctions, anti-trust rules);
(d) the manipulation of financial market benchmarks or financial market prices (for instance the manipulation of LIBOR rates and foreign exchange benchmark rates).
(e) the failure to meet fiduciary standards (for instance, disclosure obligations to shareholders);

Additional misconduct costs are the net charges to the Profit and Loss Account arising from a particular type of misconduct risk

The net charges to the Profit and Loss Account may include (but are not limited to) the following examples:

i) fines or comparable financial penalties imposed by any regulator (including the disgorgement of profits),
ii) customer redress mandated by any regulator;
iii) any sum paid in connection with litigation (whether ordered to be paid by a court or tribunal or in settlement of proceedings) where the litigation involved allegations of material wrongdoing or misconduct;
iv) administrative costs directly related to payment of customer redress;
iv) legal and administrative costs directly related to litigation where the litigation involved allegations of material wrongdoing or misconduct (but excluding the cost of remediation programmes);

In practice, it is likely that most misconduct costs arise in relation to operational Event Type Category 4 (Clients, Products & Business Practices), as set out in CRR Article 324.

Sign convention
For the purpose of this template the net P&L charge for misconduct costs should be shown as a positive number.

Note
Please specify where the misconduct costs are included in the "Balance Sheet and P&L template", particularly which line items for tabs “P&L Group Only”, “Other Expense Detail” and ”P&L Business Line” (if any).

Projected P&L impact of additional misconduct costs (in mns of reporting currency)										
	2016		2017		2018		2019		2020	
	Base case	Stress scenario	Base case	Stress scenario	Base case	Stress scenario	Base case	Stress scenario	Base case	Stress scenario
Total projected misconduct charges										
of which material conduct risks										
PPI misselling										
PPI unfair commissions (Plevin)										
FX Fines/Litigation										
US Securitisation related litigation										
Other material conduct risks: Item 1										
Other material conduct risks: Item 2										
Other material conduct risks: Item 3										
Other material conduct risks: Item 4										
Other material conduct risks: Item 5										
Other material conduct risks: Item 6										
of which due to impact of the macro stress scenario										

Note:

PPI = payment protection insurance