Chartered Banker

STRENGTHENING ACCOUNTABILITY IN BANKING AND INSURANCE

Chartered Banker Institute: Response to October 2015 Consultation Paper FCA CP15/31 PRA CP36/15

Background

1. The Chartered Banker Institute ("the Institute") is the oldest professional banking institute in the world. The Institute was founded in 1875, operates in all UK nations, and has a significant and growing international presence. The Institute has driven an agenda of ethical professionalism throughout its existence; promoting professional standards for bankers, providing professional qualifications for retail, commercial and private bankers in the UK and overseas, and offering professional membership to qualified individuals.

2. The Institute received Royal Charters of incorporation in 1976 and 1991. In 2000, approval was received from the Privy Council to award the "Chartered Banker" professional designation to individuals meeting the Institute's highest standards and qualification requirements for ethical, professional and technical competence. The Chartered Banker Institute is the only body able to award this title. For an individual to become a Chartered Banker requires Masters-level study of modules in: (a) contemporary issues in banking, (b) credit & lending, and (c) risk management, plus a choice of elective modules in subjects including retail banking, corporate banking and private banking. All students must also complete a Masters-level module in Professional Ethics and Regulation. Qualifications are offered by the Institute itself, as well as by a range of university partners.

3. Post qualification, all Chartered Bankers and the great majority of the Institute's members must satisfy the Institute's Continuing Professional Development (CPD) requirements, including mandatory annual ethics refresher training, to continue to use the "Chartered Banker" designation.

4. In addition to the flagship Chartered Banker qualification, the Institute offers a wide range of professional banking and regulatory qualifications, to support individuals at all career levels, all of which involve study of professional ethics.

5. The Institute currently has nearly 25,000 members. In addition, over the past 5 years, a further 25,000 individuals have participated in a training programme delivered by an employer, university, college or other training provider, accredited by the Institute against our professional and qualifications standards, and providing a pathway to achieving a professional qualification awarded by the Institute.

   See www.charteredbanker.com for more information on the Institute and its activities.

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6. In 2008, the Institute began work leading to the launch of the Chartered Banker Professional Standards Board (CB:PSB) in October 2011, chaired by Lady Susan Rice. The CB:PSB is a unique initiative, led by 8 leading UK banks[1] and the Chartered Banker Institute, to enhance and sustain professional and ethical standards in banking in the UK. The CB:PSB develops and, through its member banks, implements professional standards (standards of conduct and expertise) for individual bankers which will contribute to the restoration of public trust and confidence and promote a culture of professionalism in the banking industry.

7. In October 2011, the CB:PSB published the Chartered Banker Code of Professional Conduct, to which all member banks subscribe, and which encompasses approximately 75% of the UK banking workforce. In July 2012, the CB:PSB launched its first standard, the Foundation Standard for Professional Bankers (the Foundation Standard). Over 185,000 bankers, including 118,000 in the UK, achieved the Foundation Standard in 2014. CB:PSB member firms have committed that all UK customer-facing staff will have met the Foundation Standard by December 2015. The CB:PSB launched its second standard, the Leadership Standard, in early 2015 and this is currently being implemented by CB:PSB member firms.

8. The CB:PSB works closely with regulators, and also with the emerging Banking Standards Board (BSB). The BSB's mission is the development, promotion and encouragement of professional high professional standards in the banking industry, with a focus on institutions. The CB:PSB focuses on professional standards for individuals.

   See www.cbpsb.org for more information on the CB:PSB and its professional standards.

RESPONSES TO SPECIFIC AREAS

1. We have commented only on those parts of the FCA's and the PRA's proposals for regulatory references for candidates which fall within the Institute's expertise and on which we are expected by our members to comment.

Q1: Do you agree with the proposal to require RAPs to request a reference from previous employers in the past six years for candidates of an SMF and certification functions, or notified NED, credit union NED, credit union NED roles and to require insurers to request references for candidates for a SIMF, or for becoming a key function holder?
Q2: Do you agree with mandating the proposed specific disclosure for RAPs and insurers?

2. We welcome this proposal.

[1] Barclays, Clydesdale, HSBC, Lloyds Banking Group, Santander, RBS, Tesco Bank and Virgin Money.

We believe that consistently identifying and dealing with misconduct is an important part of rebuilding confidence and trust in banking. The problem of individuals leaving one firm whilst under suspicion of and/or having been found guilty of misconduct and moving to another firm without the new employer being aware of the circumstances of their departure has been well documented. Misconduct, and behavioural/cultural shortcomings more generally, are issues for the financial services industry overall, and not just for individual firms.

We therefore welcome all the proposals expressed specifically in 2.7, which sets out the minimum requirements for when a RAP or an insurer receives a request for a reference.

We would also like to see, however, a new requirement for firms to report misconduct by individuals to relevant professional bodies. Currently, there is no mechanism in place (except in limited circumstances, e.g. for retail financial advisers covered by the Accredited Bodies' Regime) for such reporting, which results in a situation where the current employer, a prospective future employer and the regulator may be aware of misconduct, but an individual's professional body is not. Professional bodies are often, as part of employer's recruitment checks, asked to confirm that an individual is "in good standing". A series of cases where professional bodies confirm individuals are in good standing, but it subsequently arises that regulators and employers were aware of misconduct issues, would seriously undermine the work of professional bodies to enhance and sustain standards of professional conduct.

We also support the sentiments expressed in 2.10 that:

> *FEMR respondents also suggested disclosures that, on reflection, the regulators consider are better addressed to candidates directly, rather than former employers, for example training and qualifications. Such matters are likely to form part of the recruiting firm's due diligence, and may well be relevant to the candidate's competence, but it is unlikely that the recruiting firm could or should rely on the previous employer to confirm training or qualifications in a reference. Instead firms should look to the candidate, and perhaps other third parties such as professional bodies.*

We would be happy to assist firms and regulators in this process, but, as noted above, this would be helped by the introduction of a new requirement for firms to report misconduct by individuals to relevant professional bodies.

Q3: Do you agree with the proposal to require RAPs and insurers to provide a reference in a standard template (as appended in Appendix 4 of this consultation)?

Yes, we agree that this is appropriate for providing this level of information.

Q5: Do you agree with the proposal to modify prescribed responsibilities to include compliance with regulatory reference requirements?

3. Yes, this makes eminent sense. Compliance with the regulatory reference, fitness and proprietary rules (for both requesting and providing references) should form part of each of these required responsibilities.

Q6: Do you agree with the proposals to introduce a requirement on the retention of records, and the requirement to have adequate policies and procedures in place to comply with regulatory reference requirements?

Q7: Do you agree that it would be helpful to clarify in a rule that firms should not enter into arrangements that conflict with their obligations to disclose all relevant information?

4. Yes, we agree with both of these proposals. In particular, we welcome 3.4 that *"the regulators also propose requiring firms to retain records of ex-employees' conduct and fit and proper information for a period of six years following their termination or resignation from a firm"* and also welcome the fact that the regulators are proposing a specific new requirement on firms to establish and maintain adequate policies and procedures to comply with regulatory reference requirements.