Autumn 2020

Chartered Banker

The future of banking

Open mic:
Lessons from the pandemic.

Davidson column:
A call for action on 'unsustainable' debt.

Country spotlight:
The pros and cons of Germany's three-pillared system.

Young Banker:
Meet this year's winner.

The great reset

Can business banking change for good?

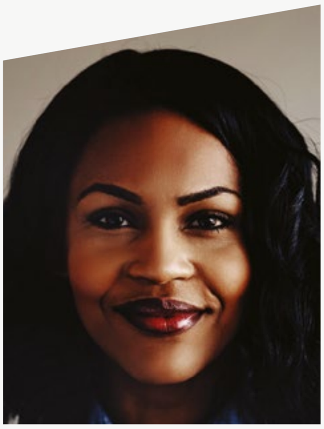
Rebuilding business
Partnering for resilience.

Lending perspectives
Views from the industry.

A digital revolution
COVID as a catalyst.

Sustainable lending
The new normal?

Chartered Banker

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EDITIONS FINANCIAL

Chartered Banker
The future of banking

The front line

Leading the way back to 'normality'.

Simon Thompson, Chief Executive

After pausing the physical distribution of *Chartered Banker* for the past two issues, I'm delighted to be sharing the print publication once more. Although our spring and summer 2020 issues were published online, I know many of our members enjoy reading their hard copy – and I do too. Is this a small sign that things are returning to normal?

I'm not so sure. Until a vaccine for COVID-19 is in place, or until we learn to live with the virus, we will continue to see long-term changes in schools, workplaces and within our communities as a result of the pandemic. Many travel and local restrictions remain and the economic effects will be more widely felt this autumn as the furlough scheme comes to an end. Many sectors will not return to business as usual and must move quickly towards a new normal.

That's also true for our Institute. At the time of writing (early September), our offices in Edinburgh and London remain closed. Fortunately, our investment in the digital transformation of our education, assessment and back-office systems and processes in recent years has served us well. Unlike many professional and education bodies, we have been able to continue delivering qualifications and exams, member CPD and events, and move swiftly and successfully to remote working for Institute colleagues. I don't think we – or the world of professional education and training – will return to pre-2020 ways. Digital delivery and remote assessment are becoming the new normal, and our Institute, always a pioneer in professional education, is leading the way.

> "Many sectors will not return to business as usual and must move quickly to a new normal. That's also true for our Institute."

It's a new era for banking too, as we discuss in this issue. Our focus is on commercial and corporate banking, but the same is true throughout our sector. Banking professionals, many of whom will not return to city-centre offices full time, are adapting to new ways of working. New ways of communicating with customers, who will need the technical and professional skills of Chartered Bankers to help them transform their business models and finances. And, I hope, this will also lead to a new respect for banks and bankers, as we demonstrate our positive social purpose by helping and supporting individuals, families and businesses during a period when life will not feel normal for quite some time to come. CB

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The professionals in this issue

Professor Tim Vorley is Pro Vice-Chancellor and Dean of Oxford Brookes Business School. He has held positions at the University of Sheffield, the Saïd Business School and the University of Cambridge. **p14**

Patrick Magee joined the British Business Bank as Chief Operating Officer in September 2014 and became its Chief Commercial Officer in June 2017. He had previously represented the government’s shareholder interests on its Board. **p18**

Mark Curran is the Business Banking Director at TSB. He has worked in the banking sector for 30 years and chaired the industry-wide programme to deliver the UK’s Current Account Switching Service. **p20**

Miles Celic is Chief Executive Officer of TheCityUK. He is also a member of the Department for International Trade Advisory Groups on Financial Services and Professional Advisory Services. **p27**

Lewis Shand Smith is Executive Chair of the Board of Directors at the Business Banking Resolution Service. He was previously Chief Ombudsman in Energy, Telecoms and Property for 10 years. **p28**

Eric Leenders is Managing Director, Personal Finance, at UK Finance. He is responsible for all personal finance matters, from cards to conduct regulation, across retail and private banking portfolios. **p30**

Trevor Williams is the former Chief Economist at Lloyds Bank Commercial Banking, visiting Professor at the University of Derby and rotating chair of the IEA Shadow Monetary Policy Committee. **p30**

Conor Lawlor is Director, Brexit, Capital Markets and Wholesale at UK Finance. He directs and manages the delivery of UK Finance’s cross-cutting international and Brexit workstreams. **p34**

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People & numbers

Newcomers top the charts

Included for the first time in the bi-annual personal banking service poll, Monzo and Starling Bank scored highly across the board, with customers keen to recommend their services to others.

The poll, organised by Ipsos Mori on behalf of the Competition and Markets Authority, sought the views of around 19,000 people. Out of the 19 banks included, Monzo came out top for overall service quality and its mobile and online banking services, with Starling Bank a close second. Starling Bank, meanwhile took the top spot for its overdraft services, closely followed by First Direct.

With providers required to publish the results online or in branch, the outcomes are seen as an important marker of quality for both customers and the industry. The full results can be viewed here: ipsos.com/ipsos-mori/en-uk/personal-banking-service-quality-great-britain-august-2020

Awarding excellence

J.P. Morgan has been named the World's Best Bank in this year's Euromoney Awards, in recognition of its continuous support for large corporates and small businesses during the COVID-19 crisis while maintaining a strong balance sheet. The bank's investment in technology was also highlighted, as was the strength and depth of its management team.

The award for the World's Best Investment Bank 2020 went to Goldman Sachs, calling out especially the bank's advisory and capital markets franchises. Special awards for leadership during the COVID-19 crisis were also presented. The Excellence in Leadership awards went to Credit Suisse, for its role in the Swiss small and medium-sized enterprise support scheme, and to HSBC for helping customers deal with the challenges they faced across the globe.

Among the other awards presented, Brian Moynihan, Bank of America's Chairman and Chief Executive was announced Banker of the Year, with Aditya Puri, of India's HDFC Bank, receiving a Lifetime Achievement award. For details of the winners in Euromoney's other categories, visit: euromoney.com/article/27g0tbzca93zph51zgjy8/awards/awards-for-excellence/euromoney-names-the-worlds-best-banks-in-its-2020-global-awards-for-excellence

Facts & Figures

39%

Fall in credit card transactions in May 2020

76%

Of consumers have used a contactless card during the pandemic

7%

Made a payment using their phone for the first time during the pandemic

New Barclays CEO targets growth

Jean-Christophe Gerard has been appointed CEO of Barclays Private Bank, as the bank continues to strengthen its leadership team and grow internationally. Gerard, who joined Barclays Private Bank in 2017 as Head of Investments, brings more than 30 years' experience to the role.

This is the latest in a string of appointments, including that of Effie Datson as Global Head of Family Office, Melanie Aimer as Global Head of Client Experience, Olivier Franceschelli as Head of Private Banking in Monaco and Alan Werlau as Head of Investments for Barclays Bank Ireland.

Nationwide NXD appointment

Nationwide Building Society has appointed a new Non-Executive Director to its board. Tamara Rajah, founder and CEO of global healthcare platform, Live Better With, brings experience in customer adoption of technology as well as valuable entrepreneurial expertise. Rajah is also a Non-Executive Director at London & Partners, the Mayor of London's promotional agency and is Chair of London & Partners Ventures.

Barclays targets female entrepreneurs

Barclays has announced the first in a series of three-year commitments in conjunction with LifeSkills to support aspiring female entrepreneurs.

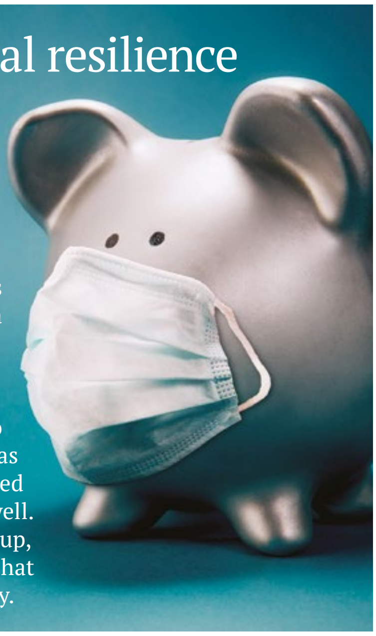
With new research from LifeSkills highlighting the pandemic as a key factor in more than half of aspiring female entrepreneurs wanting to start their own business, ensuring they have access to the skills needed to realise those ambitions is crucial.

The programme will see LifeSkills work with secondary and all-girls' schools across the UK to promote practical steps to build and develop a business, alongside core skills such as creativity, proactivity, problem solving, leadership, communication, resilience and confidence building.

Hannah Bernard, Barclays Head of Business Banking, said: "We will focus on increasing the pipeline of talent and helping young people get the vital business skills they need to build their own enterprise. We're committed to doing everything we can by providing advice and support, and to help women access the finance they need."

It forms part of Barclays' UK-wide campaign to help female business owners through the pandemic and recession, and is supported by a further programme of mentoring and support delivered by the bank's Eagle Labs and Rise network.

Pandemic boosts financial resilience



The latest 'How Britain Lives' research conducted by Lloyds Bank has found that the COVID-19 crisis has given people greater confidence in managing their finances and boosted their personal financial resilience.

According to a survey of some 5,000 UK adults conducted in March, and a follow-up using a similar sample profile in June, the number of people who could survive for a year on their savings has increased to a fifth, from 17% in March. Meanwhile, the number of people who have just a month's worth of 'survival savings' has fallen by 5%, and almost half of those surveyed believe that they are managing their finances well. The trend is most marked in the 18-24 age group, with young adults reporting that they believe that their financial position is stronger than previously.

Meet the Forum

Lauren Fuller and Luke Norton are members of the Institute's Membership Forum.

LAUREN FULLER
Certificated Member and Customer Journey Developer with NatWest.

Lauren's current role as a customer journey developer includes the design and delivery of the digital bank of the future with accountability for the creation and delivery of all products and services required to meet the Customer Journey vision.

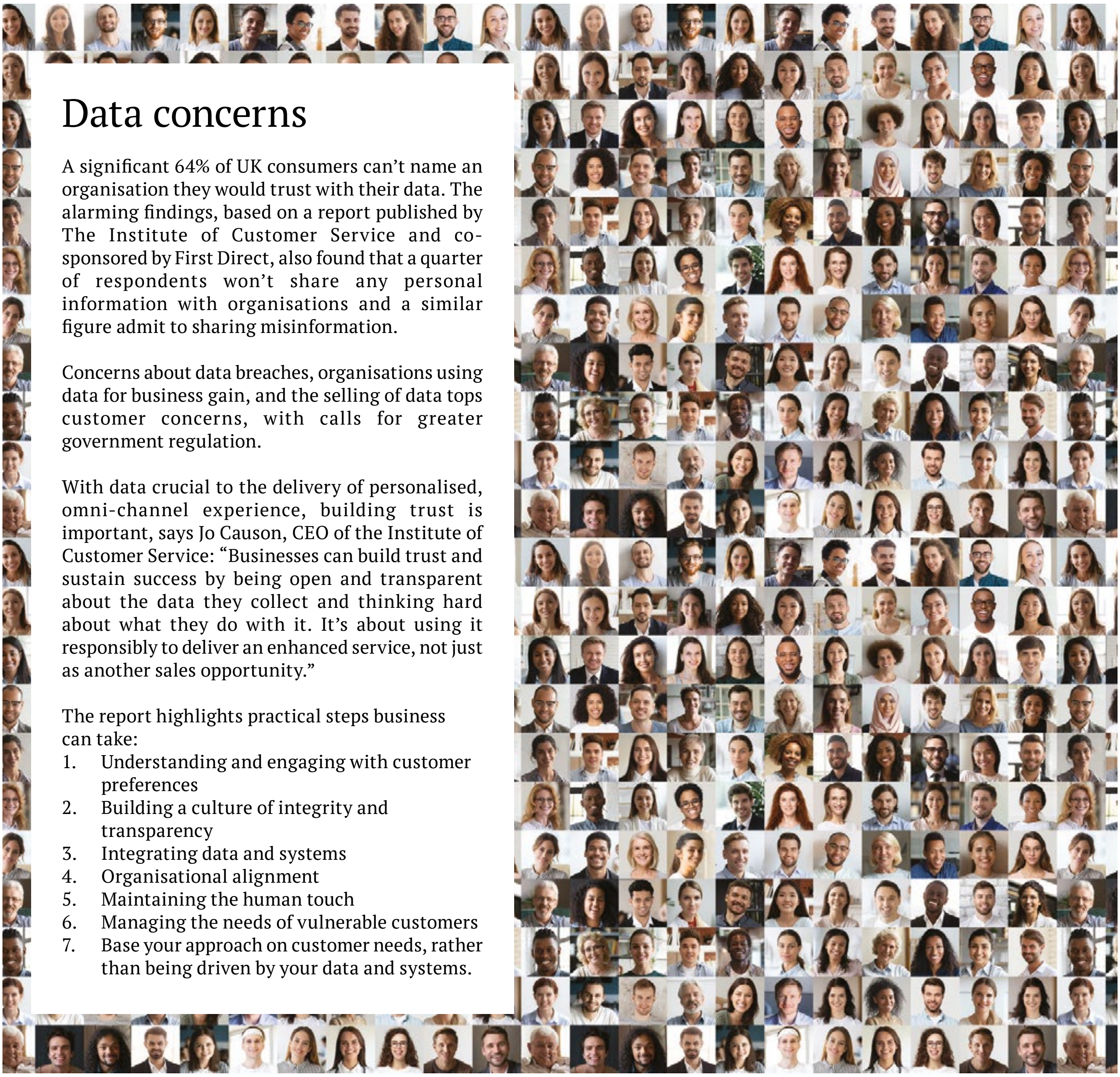
Lauren was a finalist in the Chartered Banker Young Banker of the Year 2019 competition where she developed a solution to support customers to use their Energy Performance Certificate to improve their homes' energy performance rating, an initiative that is being taken forward by NatWest.

LUKE NORTON
Chartered Member and Relationship Manager for Santander's Corporate Bank.

In his current role, Luke supports a number of SME businesses based in the West Midlands with their banking needs.

The Institute's new Membership Forum is an advisory group responsible for ensuring that the direction and activities of the Institute appropriately reflect members' views. *Turn to Institute Advocates on page 50 to read Lauren and Luke's views on digital developments and the future banker's skill set.*

People & numbers



Data concerns

A significant 64% of UK consumers can't name an organisation they would trust with their data. The alarming findings, based on a report published by The Institute of Customer Service and co-sponsored by First Direct, also found that a quarter of respondents won't share any personal information with organisations and a similar figure admit to sharing misinformation.

Concerns about data breaches, organisations using data for business gain, and the selling of data tops customer concerns, with calls for greater government regulation.

With data crucial to the delivery of personalised, omni-channel experience, building trust is important, says Jo Causon, CEO of the Institute of Customer Service: "Businesses can build trust and sustain success by being open and transparent about the data they collect and thinking hard about what they do with it. It's about using it responsibly to deliver an enhanced service, not just as another sales opportunity."

The report highlights practical steps business can take:

1. Understanding and engaging with customer preferences
2. Building a culture of integrity and transparency
3. Integrating data and systems
4. Organisational alignment
5. Maintaining the human touch
6. Managing the needs of vulnerable customers
7. Base your approach on customer needs, rather than being driven by your data and systems.

COVID-19 – the LINK effect

The LINK ATM network reported a sharp fall in transaction volumes and values at the start of lockdown and the number of ATMs available was also restricted as non-essential businesses closed. The easing of restrictions has seen some reversals, although volumes remain below those of previous years.

The findings support research commissioned by GoCompare Money that shows that a third of UK adults are avoiding cash due to coronavirus fears. Of those surveyed, 27% claimed they had not used cash to pay for shopping since the start of the pandemic.

Contactless payments, supported by the lifting of the limit from £30 to £45 in April, have seen the greatest increase, with 8% of people using contactless for the first time as a result of the crisis.

Despite the Bank of England and the World Health Organization pointing out that cash poses no additional risk if you wash your hands regularly, the decline of cash usage remains high. However, with 29% of people concerned about fraud in regard to contactless or digital payments, whether this trend continues is open to debate.

Institute agenda

New partnership with Sionic

The Institute has recently accredited financial services consulting firm Sionic's Accelerated Development and Expert Leader programmes, completion of which can now provide a partial exemption towards Chartered Banker by Experience (CBBE).

CBBE is the flexible, accelerated, yet rigorous route to Chartered Banker, designed for experienced banking professionals. Sionic's programmes reflect a similar shared approach to the importance of leadership at all levels of an organisation, with the need to develop, demonstrate and embed positive behaviours throughout.

Successful completion of either programme will provide a partial exemption from Step 1: Critical Self-Evaluation of the CBBE programme and will be accepted as evidence of completion of a leadership/change management programme, reducing the number of reflective statements required under Step 1.

We are excited to be working with Sionic and look forward to a fruitful partnership.

Green Finance Essay Competition

Tim Edwards, an aspiring investment banker and economics student at the University of Bristol, is the winner of our Green Finance Essay Competition. Tim's winning entry was, in the judges' opinion, the most creative and thought-provoking essay. His proposal for 'green' to become the default option for financial products and services is one worthy of further development by the finance sector.

Tim will receive a trophy and £100 of ethical gift vouchers, to be presented at the Ethical Finance Summit 2020, a virtual event which takes place from 5-8 October. His winning essay will also be included in our Social Market Foundation (SMF) 'Pathway to COP26 – the Role of Green Finance' Essay Series, which will include contributions from high-profile individuals across the financial services world.

Where will your career take you?

The CPD year ends on 31 December 2020, so it's time to make sure that you have logged your learning.

The Institute provides a wide range of CPD resources to support and nurture members' professional development requirements. These are continually being updated in response to the ever-changing environment in which we work. Resources are available to all members and can be accessed via the members' login area from the Institute website at charteredbanker.com.

Resources include the Responsible Banking toolkit (formerly e-CC) for help and understanding of Professionalism and Ethics, the e-CPD toolkit for leadership, management and personal development plus access to blogs, webinars and other resources.

Members are reminded of their responsibility to undertake and record evidence of their CPD activities each year. This ensures they maintain and can demonstrate their professional competence – performing a vital role in embedding and sustaining professional standards and maintaining trust in banking.

The number of CPD hours you need to complete and record depends upon your membership status. Please see our CPD guide 'Where will your career take you?' (bit.ly/3jT0wgs) to find out what your requirements are. Then log in to the member area and click 'log your CPD' to update your record.

ROUTES TO ASSOCIATE CHARTERED BANKER:

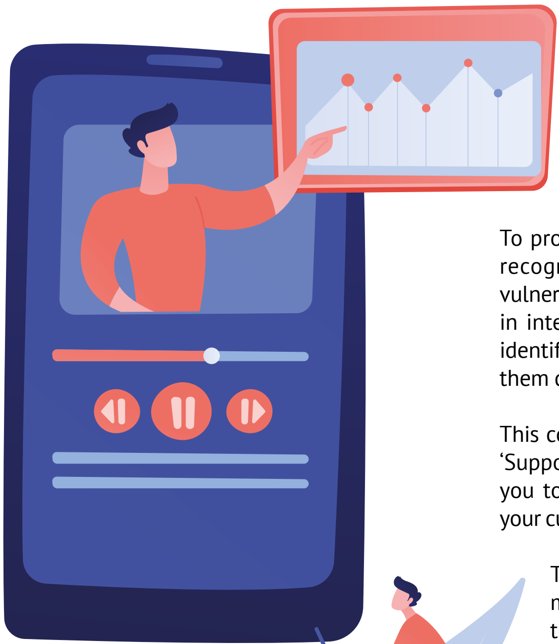
IIBF accreditation

The Institute's ongoing collaboration with the Indian Institute of Banking and Finance (IIBF) has resulted in the accreditation of their Junior Associate course (JAIIB) and the development of a professional conversion route to Associate Chartered Banker for successful JAIIB holders. The route reflects the challenging nature of JAIIB, with holders asked to consider recent changes to the banking and financial services sector and to apply their knowledge and skills to ethical dilemmas.

IIBF is a prestigious and highly respected banking institute with a robust qualification programme. We are delighted to deepen our relationship in this way; working together with the mutual aim of developing professionally qualified, competent bankers.

NEW E-LEARNING:

Customers in crisis



COVID-19 catapulted the world into crisis, with every facet of society affected. As we start to rebuild, the banking professional will be relied upon to support the economic life and prosperity of customers and communities.

To provide the right assistance we need to recognise the impact of the crisis on vulnerability, be aware of our own behaviours in interacting with customers in crisis and identify how we can best communicate with them during tough times.

This comprehensive new e-learning module 'Supporting Customers in Crisis' will enable you to provide the right help and care for your customers in the aftermath of COVID-19.

The module is available free to members in the Responsible Banking toolkit at bit.ly/3m8DgwX

Non-members can register at bit.ly/3if6TdP for £45, which includes one year's Affiliate membership of the Institute.

ONLINE EVENT:

Annual Banking Conference

The Institute's Annual Banking Conference is moving online this year and will be streamed live over three days from 3-5 November 2020 at 8am-9.30am GMT. The virtual format enables us to extend an invitation to all members, so please join us for three sessions focused on the future of banking and our profession.

The conference will have three strands:
- Technology vs the People Debate – 3 November
- "You don't know what you don't know!" – Creating a culture of lifelong learning in banks – 4 November
- "Why Green and Sustainable Finance is the future of finance" – 5 November.

For more information or to book please go to: charteredbanker.com/event.html

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The programme is ideal for individuals who:

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- Want recognition for their expertise, experience and contribution to banking
- Aim to meet current and emerging regulatory requirements for the demonstration of high professional standards
- Seek an accelerated, flexible yet rigorous route to Chartered Banker status.

* Enhanced, accelerated routes are offered for holders of the CB:PSB's Advanced Standard for Professional Bankers and graduates of the Certified Bank Director programme.

Upon completion of Chartered Banker by Experience you will:

- Become a Chartered Banker and will be able to use the "Chartered Banker" designation
- Will join the rapidly growing global Chartered Banker Institute of more than 31,000 members and gain industry recognition.

MORE INFORMATION

For further information and guidance about the eligibility criteria please
visit: www.charteredbanker.com/CBBE

Alternatively please contact the Institute's Membership Engagement Team
via: info@charteredbanker.com or +44 (0) 131 473 7777.

SPECIAL REPORT

The great reset

The UK business landscape has been rendered unrecognisable by the COVID-19 landslide. Big urban corporations and sole rural traders alike have been forced to change their business models and ways of working. Many have credit, some for the first time: at the last count, almost 25% of firms had applied for government-backed lending schemes, while 43% reported their cash reserves would last less than six months. As hopes of a fast recovery fade, *Chartered Banker* explores how corporate and commercial banking will need to evolve to adapt to this new environment.

"There's no way we're going back to normal after this."

Martin McCann,
Trade Ledger

14 **Rebuilding business** Partnering for resilience.

17 **Lending perspectives** Views from the industry.

22 **A digital revolution** COVID as a catalyst.

25 **Sustainable lending** The new normal?

SPECIAL REPORT

Rebuilding British business

COVID-19 has proven a live stress test for businesses, banks – and society. As companies fight to stay financially robust, how can the banking system best help them through the long recovery?

In nature, the fight-or-flight response is a critical survival mechanism. Faced with danger, humans and animals experience near-instant responses that help them fend off the threat or flee to safety.

But repeated triggering of these instincts over time is dangerous in itself. Research shows that dealing with chronic stress takes a toll on the body that can shorten life.

The same principles may apply to the business world. Many firms survived the sudden shock of the pandemic by acting on sheer commercial instinct. In its aftermath, they face an extended period of potential stress points.

These include the end of the furlough scheme and its effect on jobs and consumer confidence; a potential second wave of COVID-19, or sporadic local lockdowns; next spring's financial reckoning, as the first crisis loan repayments become due. For businesses, and the banks that support them, the next year will be a less dramatic but possibly more gruelling test than the initial outbreak.

Burning platform

Inevitably, some weaker businesses have already succumbed. Danny Dartnaill, Business Restructuring Partner at BDO LLP, has seen mid-market companies that were already in decline before the pandemic opt for liquidation. "For businesses that were already in a gradual decline, COVID-19 has been the burning platform that has forced them to act," he observes.

Dartnaill cites one client, an accessories business whose turnover had halved over eight years as their products became more niche: "They're using this as an opportunity to right-size the operational footprint. They're closing a warehouse and a showroom, reducing staff numbers and moving to a model based more on online and telesales."

Small businesses are finding the transition especially challenging, according to entrepreneurship expert Professor Tim Vorley, Pro Vice-Chancellor and Dean of Oxford Brookes Business School. "Local businesses that were based on bricks rather than clicks have had to reform radically," he says.

Bouncing forward, not back

He takes issue with some of the language around the recovery, which assumes a resumption of previous business activity: "You're never going to 'bounce back'. You're either going to stay where you are, or bounce forward. For instance, digital elements are not going to go away – once they are part of someone's business model, why would they go back to what they were doing before?"

Vorley divides small and medium-sized enterprises (SMEs) into four main types. Those tied to existing business models, a group he characterises as "can't change, won't change", are most likely to sink. A second group have taken a strategic approach to pausing their businesses, making use of furlough. A third category recognise the need to upskill and upgrade their capabilities for the new era.

The final group are what Vorley terms agile adaptors: "Now is their time. They're looking at how they can seize the advantage in their respective sectors. These include businesses that are diversifying, such as restaurants moving into takeaway and deliveries. They also include companies that have gone out to forge alliances with others to sell collectively."

Sharing for survival

This type of partnership is emerging as a key response to the post-pandemic world. According to research published in July by HSBC, four in 10 firms across the world have collaborated with other businesses to get their products and services to customers.

Others are simply joining forces to share information, expertise or premises. In all, 93% of firms have supported the businesses they work with; larger businesses are especially likely to have supported smaller partners.

"Banks will have to review their lending policies, to the point of asking, what is financial exposure and the value of collateral?"
Paul Hemming, Teradata

"You're never going to 'bounce back'. You're either going to stay where you are or bounce forward."

Tim Vorley, Oxford Brookes Business School

Many of the firms surveyed admit they were caught out by the crisis and are tightening up their contingency planning in areas such as technology, finance and capability. Almost two-thirds of the businesses surveyed by HSBC had already modified their operations. Almost half, 44%, planned to change their products and services still further, either by diversifying or by reducing their offering to become more specialised.

Springtime deadline

All this resilience-building activity is heartening. But its effects will need to be swift. For hundreds of thousands of business leaders working towards long-term viability, a key deadline will loom in the spring, when the interest-free period on government-backed pandemic loans is due to expire.

"In Q1 of next year, many companies will come to the realisation that they have CBILS [Coronavirus Business Interruption Loan Scheme] or BBLS [Bounce Back Loan Scheme] loans that will need to be repaid, stretched creditors (including landlords) will need to be brought back within terms, and deferred taxes will also have to be dealt with," says Dartnaill. "They may well be at the limit of their existing bank facilities on top of that. So it's entirely possible that some directors will look at their balance sheet and think: 'How can we deal with this – and is it worth it?'

"There will be good businesses, with good management teams, that were trading really well before the pandemic hit. Despite lockdown these will still be good businesses, but they may need to restructure their balance sheets because it's not worth their effort to trade for several years without generating real value. So we could see restructuring techniques being used to right-size the balance sheets, to enable stakeholders to benefit."

Zombies must die

Other businesses will prove to be unviable. Spring could bring a reckoning for so-called 'zombie companies', those barely getting by before the pandemic and surviving largely because of ultra-low interest rates.

Vorley will not mourn them: "We've had a lot of zombie companies in the UK for a long time. The danger has been that some of the government investment in the pandemic creates a new generation of zombies.

"The day of reckoning will shake some of that out. It will be challenging for those directly impacted, but that frees up capital lending to be moved into more promising areas. So when that axe falls, it's not an entirely bad thing."

Debt mountain

It's not just business owners who view the spring with apprehension. There is growing concern that the government-backed loan schemes could generate a mountain of unsustainable debt. The government is considering options for how to handle defaults without damaging the recovery.

What of the banking system's own resilience? In August the Bank of England's Financial Policy Committee judged that banks had sufficient capital to enable them to withstand the likely credit losses arising from future insolvencies. But banks saw their Q2 profits slide based on anticipated bad debts, with Lloyds putting aside £2.4bn, Barclays £2.8bn and HSBC £2.9bn.

SPECIAL REPORT

"Government guarantees have mitigated bank losses if companies can pick up where they left off and if they haven't lost purchasers," says Paul Hemming, a former RBS Head of Data Strategy, now Client Partner for Teradata in EMEA.

"But irrespective, there's been a trade and cash flow dislocation. Even though the CBIL loans are technically underwritten by government, somebody has to pay them back at some point. There's a lot to work out with the government on how to collect that, and the forbearance to be applied."

Flexibility counts

Support for an enduring economic resilience will be a further test for the banking system, which – for all the complaints about initial sluggishness to respond to businesses in crisis – is widely seen to have acquitted itself well over the summer.

Dartnaill's clients include many businesses denied government-backed loans. Yet even their verdict is positive: "The feedback from clients is that banks have actually done well.

"They recognised the wider importance of their responses to the pandemic. From my perspective, they were quite quick at setting up, pulling people in from the right areas of the bank to respond to the deluge of requests, and prioritising those with highest needs.

"As businesses recover, flexibility will be important. Businesses will need to feel they're in true partnership with their lenders. This could mean measures such as covenant waivers, resets, or short-term increases in facilities."

> **"In Q1 next year some businesses will look at their balance sheet and think: 'How can we deal with this – and is it worth it?"**
> Danny Dartnaill, BDO

Real-time stress tests

The pandemic makes it more critical for banks to have an intimate, real-time knowledge of their business customer franchise, according to Hemming. He foresees an expansion of banks' stress-testing data and analytics capabilities, to encompass more stringent testing of borrowers' business models and their networks as well as the bank's own systems.

"Most banks still lend on the basis of a credit rating and an annual financial statement. But this situation – where a huge global shock affects supply chains, raw materials, workforce and transport – shows they need to be able to respond in a more agile way," he argues.

"Banks have developed a huge framework around their own risk management. They need to take the same level of rigour and principles of stress testing and apply them to their local markets and economies, and to their customers' industry and trading relationships. Are they reliant on one supplier? Or on too few buyers? What's the real value of their collateral and security? That thinking goes on already, but it tends to be in people's heads. That isn't scalable to a digital world."

Hemming sees a major knock-on effect from the Bank of England's January White Paper on data collection from the UK financial sector. As banks are required to open up their data to regulators on an automated basis for improved oversight, so business customers will be expected to do the same for their lenders.

Businesses will benefit too: "In return for that greater level of data connectedness from customers, one of the things banks are going to have to do is provide a more helpful service. Where a customer doesn't have a financial director, for example, the bank can analyse the customer's data for them, providing them with more helpful early warnings of cash flow deviation, for example, or fragility in their business model or supply chain, or evaporation in the value of security held. This too should benefit banks as assessment and management of lending positions becomes more automated, removing associated manual effort in front, middle and back office functions."

Beyond lending

Dartnaill believes old-fashioned client knowledge and personal connections will be the most valued elements of banking in the next phase of recovery. "Digital gives you speed, but I don't necessarily think it builds relationships – and relationships are going to be more important during the next 12 to 18 months," he says.

"Decisions may need to be made as much on gut feel as on just the figures. Credit applications are inevitably going to show weak-looking balance sheets and poor recent trading performance, so tick-box assessments in isolation won't work in gauging business viability."

Vorley agrees: "The good things the banks have done in the pandemic are about more than being a lender. It's about trying to provide the kind of resource, support, recognition and flexibility businesses need, in a way that's responsible in terms of [the] FRC [Financial Reporting Council] and other requirements. It's about looking for future growth and making sure support is in the right areas.

"Some of that is non-monetary support. People need to know there's someone they can talk to around changing supply chains and business models. That way, we can intervene to ensure we don't lose businesses that could have been saved between now and Month 13, when repayments become due."

Rethinking collateral

The continued appetite for borrowing for cash flow and return on investment will ultimately see a growth in the syndication of lending and financial risk in the market; opportunities in the commercial market for peer-to-peer lenders; and wholesale and investment banks taking more direct role in lending through partnerships with new entrants and business players, Hemming predicts.

Long-established concepts will need to be revisited: "Banks will have to review their lending policies, to the point of asking, what is the value of collateral and what is our exposure? Even if you own your building and provide it as security, in a crisis what will it really be worth? Could you resell it?" CB

SPECIAL REPORT

Lending perspectives

Defusing the bad debt time bomb

The UK economy may be storing up a vast mound of problem debt. Luckily, some of the country's best financial brains have a plan...

The UK economy emerges from the COVID-19 crisis awash with debt. Government-backed lending to business will hit £100bn by March next year, according to projections by EY for financial industry body TheCityUK. And that's before factoring in a potential £30bn in deferred VAT payments and £11bn in PAYE deferrals.

Fast action by the government and lenders has sustained large sections of the UK economy. But so far, the Treasury has been non-committal on the subject of dealing with business debt that proves unsustainable – a figure TheCityUK estimates at £35bn.

The organisation gathered experts from the financial world, forming a 'recapitalisation group' to find solutions. "We've been lucky to benefit from 200 people from 50 or so companies, who have worked on this for three or four months," says Chief Operating Officer, Marcus Scott. "Many brought experience of work on the 2008 financial crisis."

The result of their efforts is a bold proposal for manageable ways to help businesses repay their debts and get back on the growth ladder, while minimising the impact on taxpayers. These solutions would be administered by a new entity, the UK Recovery Corporation.

Fixing balance sheets

"Most companies will want to try to repay outstanding debt," Scott says. "But some will find that even if they come out of the crisis with an economically viable business model intact, they may have a financially unviable balance sheet.

"So one of our proposals is a Business Repayment Plan, which essentially converts bounce back loans and small CBILs into a longer-term tax obligation, administered by the Recovery Corporation but repaid through the tax systems. That takes it off the balance sheets of the banks, and also of the companies themselves – which is really important when many of them will otherwise find themselves in a situation where they can't borrow any more."

While some commentators had expected the group to come up with a full-on equity-based solution, that was felt to be inappropriate for many SMEs. Instead, the second step on the group's 'escalator' of solutions is to convert CBILS loans into longer-term subordinated debt, or preferred share capital.

This would not confer voting rights and is based on a model more widely seen in Italy: "The retail bond market is much more developed there," Scott says. Intriguingly, Rishi Sunak argued for

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the creation of a UK SME bond market in a report written before he became Chancellor of the Exchequer.

The third solution, growth shares, is aimed at those firms with viable growth prospects but lack of available funding. It would feature a mix of instruments, including preference shares, to provide growth capital. Scott believes this offers "a tremendous possibility to grow the whole market. There will still be a vibrant lending market for the banks, but they won't be the only recourse".

Race against the clock

Time is critical, however. The group warns that some businesses will get into trouble even before the interest-free year is up, in Q4 of this year. While it sees the Recovery Corporation using the existing infrastructure and systems of lenders, the new entity would still take time to set up. Moreover, primary legislation would be needed to enable the refinancing of government-backed debt.

> **"Across the world, lots of government debt schemes have been put together at great speed – none has yet moved on to the second phase of how to resolve the debt."**
> Marcus Scott,
> Chief Operating Officer, TheCityUK

Scott says the group is in constant discussion with the Treasury about the plan. He recognises the government's economic and political dilemmas: "I think they are very worried about a second wave of COVID-19, and they don't want to implement all their solutions immediately." In addition, there have been stories of some companies simply allowing bounce back loans to sit in their accounts, prompting some voices to urge caution in offering further help.

Multiple economies will face the same looming issue; no one yet has a definitive answer. EY, which is working with the recapitalisation group, carried out a detailed global review. "It became very clear that lots of government debt schemes have been put together at great speed during the crisis, but none of these has yet moved on to the second phase of how to resolve the debt," says Scott.

On its desk, the government now has a very detailed blueprint for supporting the economy through that second phase. But the time to act is running out. CB

Thrust into the spotlight

The British Business Bank was at the heart of the massive effort to push £50bn of crisis loans out to UK firms. The Bank's Chief Commercial Officer talks us through the process of launching the schemes.

Until the spring, the British Business Bank was hardly a household name. Despite being the largest UK-based investor in venture capital, it had worked in relative anonymity to fulfil its mission to support smaller UK businesses. Through its Enterprise Finance Guarantee (EFG), it facilitated support to viable but credit-starved firms, with governments backing up to 75%.

When the pandemic struck, the Bank's remit suddenly swelled. Today it shoulders the weight of a £50bn loan book, channelled to businesses through speedily created government schemes to help them through the crisis.

While he doesn't underplay the scale of this burden, Patrick Magee, the Bank's Chief Commercial Officer, is upbeat about the outlook. "I tend to be an optimistic person," admits the former Corporate Finance MD at JP Morgan Cazenove. And while no one foresaw the scale of this crisis, he says its impact was something the Bank had always anticipated.

"The Bank is still a relatively young organisation, but we'd built ourselves on a scalable platform," he says. "We always knew that in a time of economic dislocation, we would probably be asked to do more. So we had plans in place to change the parameters of the existing guarantee."

Feverish effort

Four years earlier, the EFG had been updated in a process that took the best part of a year. As COVID-19 bit hard, the Bank had just four days to adapt it again. The EU announced relaxations of State Aid rules late on a Wednesday in March; by the Monday morning, after feverish work with the Treasury team, the new CBIL scheme was announced.

The Bank pulled in employees from all departments to support this effort. Its core staff of 350 was swelled by an outsourced operation of around 70 to help build the new IT infrastructure required. Meanwhile, its 43 pre-existing lenders were each engaged in similar digital builds.

Amid criticism from struggling businesses of delayed applications, the Chancellor announced the fast-tracked Bounce Back Loan Scheme (BBLS) in early May. "That was the biggest change – an online, straight-through journey, taking out credit checks but keeping fraud checks in place. It was a very intense piece of work," says Magee.

While he would have appreciated more time to shape the delivery of BBLS, he says he has few regrets: "I don't think we would have fundamentally changed the way the Bank responded to the challenge."

Another point of contention was the time taken to accredit alternative lenders. The Bank boosted its accreditation team from just two in March to more than 30, originally from within the Bank and then with support from some of the Big Four accountancy firms.

"We did accelerate the process – getting accredited used to take several months. This is not stuff to be taken lightly: we are guaranteeing a loan book of £50m," Magee points out. He says he has received many compliments from new lenders about the team's professionalism, and received a warm reception at a recent round table hosted by FinTech body Innovate Finance.

Resilience and defaults

Magee declines to give a view on whether the schemes will need to be extended – BBLS is due to end on 4 November. But he says the Bank is ready to administer the repayment process with its delivery partners, amid predictions of business collapses. The Office for Budget Responsibility assumes that up to 40% of bounce back loans could default, costing £16bn.

"Obviously some businesses will struggle," Magee admits. "We see some quite high estimates of what the losses might be. A lot of first-time borrowers who have switched out of overdrafts may be pretty resilient and will recover quite nicely, but there will definitely be people who get into a level of arrears and defaults. We're in discussions with lenders about appropriate forbearance and recovery procedures to reclaim that.

"Working with small, sometimes vulnerable businesses, it's important to treat them fairly and understand their circumstances. And there will be other products they'll be able to take up with lenders over time."

Widespread benefits

There seems no prospect of a let-up in the Bank's workload any time soon. Magee says his team remains positive, returning high scores in a recent internal engagement survey: "People really support the Bank's mission, and felt it was more important than ever in the past few months."

Statistics show the coronavirus loans have reached all sectors in every corner of the UK, with the construction sector receiving the highest proportion of loans (17%), followed by wholesale and retail (16%). Returning to his family home in Northern Ireland for an August break, Magee met many people, from farmers to gas engineers, who have benefited from loans.

"Although we're a smaller and newer economic development bank than Germany's KfW and BPI France, we have developed similar levels of intervention – but more widespread, getting the money out to a broader range of businesses," he concludes. "We've given the maximum number of businesses the best chance." CB

SPECIAL REPORT

"I can see another bow wave coming"

TSB's new Business Banking Director predicts a last rush for bounce back loans before the bank needs to guide its business clients through the tough months ahead.

TSB's business customer base isn't among the UK's largest. Therefore the fact that its business lending ballooned by £0.4bn in the first half of this year – a growth of 412% – is remarkable even at a point when startling statistics have become routine.

The 15,000-plus businesses that successfully gained bounce back loans via TSB fall into three categories, according to Mark Curran, Business Banking Director. "There are those who needed to take it as a lifeline, and those who are using it for bounce-back capability and extra funding to bring in their staff early," he says.

The third category saw government-backed loans as a safety valve: "An awful lot of businesses have taken bounce back loans or extended overdrafts and haven't utilised them. There's a fair percentage of customers who have taken it as reserves just in case, because when the scheme closes it won't be available to them."

Bad debts

TSB is now formulating its support package for customers in all three categories. As Curran points out, there are several potential "shocks to the SME system" between now and next spring, with the end of repayment holidays and interest-free payments on other products due to hit before BBLS payments start to become due.

"The focus for us will be on what is best for the customer – if we can help, we should and we will," says Curran. "As much as banks are seen as lending partners, it's also important for us to support customers with information on their opportunities and options, working with third parties like Chambers of Commerce and other organisations to help get that flow of information right."

Part of that support, he acknowledges, will be to help customers to exit businesses that ultimately prove unviable. While TSB's exposure to small business debt is lower than that of the big banks, in common with other banks, it still had to write off substantial sums against anticipated bad debts in its half-year results, with a £111m credit impairment linked to COVID-19.

"Those of us who have been through three or four cycles of recession know it's important to manage this carefully and delicately, but also to recognise that some businesses won't survive through the recessionary period," Curran says. He sees merit in the suggestion that struggling businesses could have loans treated as deferred tax liabilities: "Obviously it would avoid loading another headache onto businesses next year.

"I think the other thing that needs to be clear is that many small-businesspeople run multiple businesses, and some of them use several banks. As a result, the banking industry will have to be consistent regarding how the give-back schemes are treated in terms of recovery."

Branch changes

Shortly after the half-year results, TSB also confirmed that it would be phasing out the dedicated cashier role in its branches. More than 900 employees will be affected, with the chance to retrain, change roles or take voluntary redundancy. But it's a move with obvious implications for small local businesses which depend on the branch network.

Curran promises TSB's relatively small pool of cash-based customers will have alternatives: "We're putting electronic capability in branches for people to deposit cash, for example."

Other services being explored include a cash pick-up, where business customers would pay a small fee for cash to be collected from their premises, and the introduction of digital cheque deposits.

Swift capacity

Like every bank that became involved in government-backed loans, TSB swiftly automated the front end of its lending process. This move was eased by its relatively new digital platform and the development of its capabilities in digital forms and AI-enabled chat. Behind the electronic portal, however, there was an army of human agents.

"We did some cute things to create more capacity," Curran says. "All of a sudden we had a lot of branch partners who weren't dealing with customers, because the network was suddenly very quiet. So in four or five days we were able to build a team of more than 400 people working on BBLS, talking to customers or processing applications."

Some were based in branches or call centres, but many were able to work from home, thanks to swift work with BT to set up remote telephony. Curran, who was TSB's Technology Transformation Director before segueing to his current role in July, is especially pleased by the audio achievement: "The quality was awesome. We spun that up in four weeks; in 'peacetime' it would have taken nine months." If he has a regret, it's that the loan process could have been automated further for extra efficiency.

Fraud checks

Within a week or so of the BBLS being launched, TSB applicants who submitted all the right documents were receiving next-day funds. That speed has since slowed by a few hours, because of the new ability to check via fraud prevention service Cifas in case of simultaneous applications to other banks.

Fraud checks in general have been one of the big challenges, admits Curran. "Looking for duplicates in the same business name is common sense, but we had to introduce address and postcode checks pretty quickly. Then, at the last point before remitting funds, there was a final check to ensure we hadn't paid funds to that customer's account already."

Curran says TSB is prepared for a final rush of applicants before the scheme's scheduled end in November: "If BBLS acts a little like PPI [payment protection insurance] did in the last days of the scheme, I can see another bow wave coming. We're much better placed to cope with that than when the scheme opened, and we're better prepared for more lockdowns."

He is anxious that the industry continues to build on the confidence it's been able to provide to SMEs. "Unlike in 2009, we've done the best we can to support the economy. There have been a few issues, but arguably people think the banks have done a good job in getting a lot of value out very quickly.

"It would be a shame for us as an industry to lose that support from businesses in the way we then manage the loan recovery process." CB

"The dynamic of the market has changed"

The initial race for crisis finance may have subsided, but businesses will be in need of funding support for some time yet. That's the view of LendingCrowd, the Edinburgh-based FinTech lending platform.

Accredited as a CBILS lender in early July, LendingCrowd began offering loans to applicants by mid-September. It's convinced demand will remain high among businesses seeking loans of up to £250,000.

"Many businesses took out a bounce back loan in the early days, perhaps thinking that might be enough to see out the worst," says Chief Marketing Officer Darren Cairns. "Some are now finding they do have a demand for more funding. And there's a growing swell of opinion that some variant of CBILS will need to continue after the autumn."

Cairns says many businesses are unaware that it's possible to 'trade up' by using CBILS to refinance bounce back loans, which are capped at £50,000. Firms also need to be assured that having one CBILS application turned down need not rule out further attempts: "Every lender has their own appetite, criteria and debt range."

Before the pandemic, LendingCrowd was riding high on the back of growth in non-bank lending, plus an £18.75m deal that provided loan funding from the Scottish Investment Bank and Dutch entrepreneurial bank NIBC.

When the economy went into paralysis, LendingCrowd reached out to support its borrowers and offered repayment holidays for the first time. Then, in common with other lending platforms, it found applications for standard-term loans abruptly drying up as businesses moved to the government-backed schemes.

LendingCrowd joined the host of alternative lenders applying for CBILS accreditation. On 17 April, Funding Circle became the first to be approved: "For us and our peers, that was a watershed moment: non-bank lenders were playing firmly in the same space as the traditional banks," says Cairns.

He believes the total pool of 90-plus accredited lenders now offers useful diversity, focusing on different loan values and, in some cases, geographical regions.

"The dynamic of the market has changed. Some of the traditional banks, which had pulled back from an SME presence over the past decade, are now firmly back in that space, where perhaps they didn't want to be. And for our sector, it's been really encouraging: this has announced the arrival of a lot of non-bank lenders into the mainstream." CB

"Many firms took out a bounce back loan in the early days but now find they need extra funding."

Darren Cairns,
Chief Marketing Officer, LendingCrowd

SPECIAL REPORT

A platform for revolution?

If there are positives to be found in the pandemic, digital acceleration may be one of them – how will it colour the banking needs of business customers?

In the business world, COVID-19 triggered a mass migration of business models. Almost every UK business saw its digital strategy speed up as a result of the coronavirus, with two-thirds reporting significant acceleration.

Might this even be the trigger for businesses to embrace Open Banking, an idea so far stalled by distrust? Research carried out just before the pandemic found most small business owners were still wary about sharing banking data electronically with third parties, with only 15% prepared to do so.

Mike Cherry, National Chairman, the Federation of Small Businesses, sees potential for COVID-19 to be a catalyst – but with caveats. "The pandemic has highlighted how important digital connectivity is to our lives in difficult times – that's as true in banking and finance as in any other facet of day-to-day life," he says.

"The overwhelming majority of small firms bank online and that's a good thing. If we want all of them to – and those who do so already to do so in more sophisticated ways – we need serious, widespread and consistent investment in our communications networks. On top of that, we have to increase our efforts to upskill small business owners, and consumers, to realise all of the benefits of online money management and Open Banking."

Beyond automation

A similar evolution will be required from banks. While COVID-19 has galvanised digitisation of many services, the changes fall short of the transformation that would deliver truly slick and seamless experiences.

Professor Markos Zachariadis, Greensill Chair in FinTech and Information Systems at Alliance Manchester Business School, sees the current rush to automation as an important step. But he adds: "Digitisation gives banks the ability to redesign their value chains and build new and innovative products. When you just automate your existing business processes and maintain the same systems and data architecture, it will be much harder to realise long-lasting benefits for your organisation.

"COVID-19 has brought a situation where banks need to turn to digital as the primary channel. But that demands more blue-sky thinking, not just to automate existing services but to build a more comprehensive transformation and offer entirely new propositions."

FinTech frustration ebbs

In practice, banks recognise they are unlikely to be able to provide this alone. Yet FinTech partnerships have still to fulfil their potential. Having advised several banks at board level on their FinTech ventures, Zachariadis is convinced that the standard narrative of mutual frustration between banks and FinTechs is gradually changing. The pandemic could speed further progress.

"Talking to colleagues in the banking sector, I sense an understanding that this is a top priority now," he says. "There is acceleration for obvious reasons – those who continue to ignore it will be outperformed by others."

There remains, however, a lack of ambition in the reach of the partnerships being formed. While challenger banks such as Starling have come close to true integration with FinTechs – populating a single customer platform with external solutions that complement the core proposition – bigger incumbents still prefer the 'white label' approach, where the FinTech service becomes part of the bank's operation.

Let's get phygital

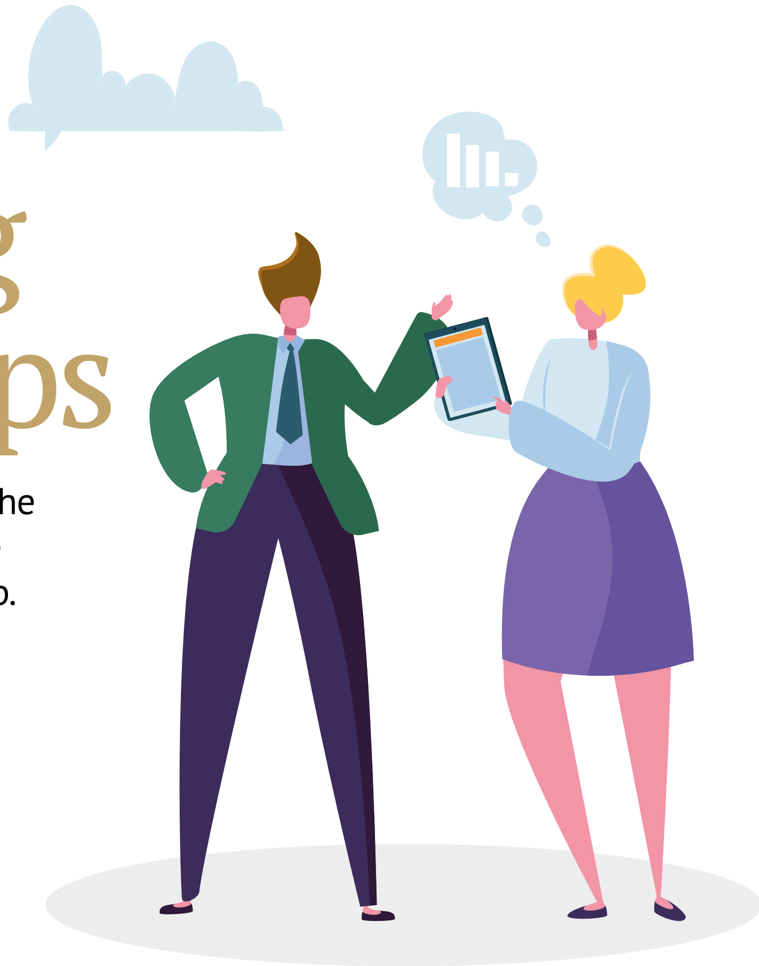
Meanwhile, says Zachariadis, too many banks still expect clients to visit branches or to sign and post papers while the pandemic continues. He is not calling for the elimination of branches, which he accepts are a last bastion for local small businesses. Rather, he espouses a 'phygital' strategy, in which the physical branch experience would be limited to high-value experiences complementing a digital banking core.

A reduced branch network could include kiosks co-located within other businesses or destinations. "They could be based in department stores, car showrooms, real estate agents, museums, or even places of local interest, such as monuments or tourist destinations," Zachariadis adds.

Cherry also warns against ditching banks' physical presence in the renewed rush to go digital. "There will be a place for bank branches, ATMs and physical cash for some time to come," he emphasises. "We mustn't leave the vulnerable behind in a now-accelerated move to cashless." CB

SPECIAL REPORT

Redefining relationships



Banks can retain corporate customers in the post-pandemic era – but the price may be losing brand ownership of the relationship.

At the height of the pandemic, FinTechs and challengers in the banking space saw an opportunity to support businesses in need – and demonstrate their own credentials.

Iwoca, for example, launched its OpenLending platform with a clutch of partners, claiming it would provide micro-businesses with "fast and digital access to finance at a crucial time". And Trade Ledger forged a 'taskforce' with FinTech peers Wiserfunding, Nimbla and NorthRow, with a similar mission to channel funds to struggling SMEs.

The bottleneck was to be at least partly eased by the Chancellor's introduction of bounce back loans. But Trade Ledger Founder and CEO, Martin McCann, says now: "There was a huge issue with cash flow liquidity, and we could see a need in the market that wasn't being fulfilled to solve the short-term needs of SMEs.

"In terms of sheer scale of need, this was wartime – and peacetime capacity just wasn't working."

Race to the cloud

Now that the war is abating, who is best placed to serve the banking needs of battle-scarred businesses?

Business-facing banks have come into their own in the sense of supporting businesses to forge useful connections, review their supply chains and adapt their business models to the new reality. Their deep knowledge of clients and the sectors they operate in is now more valuable than ever.

Where corporate banks have fallen behind the challengers – and even their own retail operations – is in the deployment of open application programming interfaces (APIs) to serve clients more efficiently. That gap was mercilessly exposed by borrowing experiences during the pandemic.

As a result, digital investment programmes that might have been expected to stall amid a major crisis are instead being stepped up, according to Sankar Krishnan, Executive Vice President of Capital Markets and Banking, Capgemini. "There is increased spend at the banks as they pursue digital at a pace faster than anyone thought," he says.

One priority is the replacement of the creaking payments infrastructure: "What is coming out of the pandemic clearly is the need for a faster compute. Our number one business now is the move to the cloud – every bank is asking how they can do this."

Tech poachers

Cloud migration is a good start. But in the face of competition, incumbents may finally need to embrace single-platform partnerships if they are to retain their share of the business market.

One route is via Big Tech. This summer Goldman Sachs led the way by teaming up with Amazon to introduce lending facilities for sellers using the tech giant's marketplace. With sellers' consent, Goldman will be able to use the businesses' revenue data from the platform to support credit approvals, according to initial reports on the deal.

The move follows last year's deal in the retail current account space involving Citi and Google. At the same time, tech has begun to poach senior banking figures – Bank of America CTO Howard Boville now heads IBM's cloud division , while in June Google Cloud hired Citi Fintech CEO Yolande Piazza.

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"We are going to see a lot of experienced bankers move to Big Tech over the next few years," Krishnan predicts. "They bring good knowledge of financial regulations and how real-time payments work."

Banks: the new Intel?

He sees the Goldman/Amazon deal as a win for all concerned: "By partnering with financial brands and being the liquidity provider, they can provide a better deal for their SME sellers. It creates more stickiness and a new revenue stream for Amazon. And for the bank, it makes it a lot easier to access borrowers."

The fear in partnerships such as this is that brand loses its importance as a differentiator, leading to the loss of bank ownership of the customer relationship. But in its latest World Fintech report, Capgemini argues that banks need to embrace platform models if they are to avoid being reduced to the status of 'data pipes', transferring data from one point to another without any input.

> **"The competition now is going to be, which of the banks will be the 'Intel Inside' of your digital marketplace?"**
> Sankar Krishnan, Capgemini

Krishnan believes banks can afford to play to their strengths within new joint ventures. He cites the 'Intel Inside' marketing campaign for microprocessors that became ubiquitous in the 1990s: "The competition now is going to be, which of the banks will be the 'Intel Inside' of your marketplace?"

McCann agrees: "The banks that get on top of this trend can be the providers of better credit and business banking through an omni-channel infrastructure. They will still have their own branded services, but they will also be able to provide those within an embedded proposition.

"The banks that get to that point first will see massive service shifts in their favour. Those that miss out will become utilities."

Collaboration wave

The other obvious route for banks is to create platforms in collaboration with FinTechs. They have the appeal of innovative capabilities, but without the threat that Big Tech poses of disintermediation of the banking sector.

If banks are keener than ever to collaborate to ride the digital wave, the time may also be ripe for FinTechs. Investor confidence in FinTechs fell during the pandemic, resulting in a drop of over a third in investments in the first half of 2020 compared with the same period last year. While still upbeat about the sector's prospects, Innovate Finance, the industry body, says three-quarters of smaller FinTechs are concerned about their next funding round.

McCann predicts a rush of new collaborations. He says banks in dialogue with Trade Ledger, and which previously saw digitisation of business lending as a three-year project, are now looking to deploy this within nine months.

He says FinTechs will be able to equip the banks to deal better with origination and onboarding of new SME clients, as well as streamlining credit decision models. New platforms will also require a new offering: "The traditional products are not going to cut it for large sectors of the market that need recapitalisation."

Seamless lending

For McCann, the time has come for Open Finance – a 'banking-as-a-service' model centred around ecosystems rather than institutions. Trade Ledger's vision is of digitised lending as an infrastructure layer that is available seamlessly when businesses need it – at the point of reconciling their monthly accounts on Xero, or while buying inventory on the Amazon Marketplace.

He discounts concerns about business' reluctance to open up their data, which would be required for such systems: "There needs to be a packaging and proposition effort to explain why it's in the business's interest.

"Smaller businesses tend to have a lower level of financial literacy. They don't necessarily understand where they are in terms of creditworthiness or even their cash flow position. If you can build a proposition that helps the business to solve these problems, that would encourage them to connect to more data sources."

Krishnan hopes the gloomy statistics of the Capgemini World FinTech Report, published in April, are already out of date. In that snapshot, only 21% of banks said their systems were agile enough for collaboration, while 70% of FinTechs didn't see eye to eye with their bank partner in a cultural or organisational sense. The next report, Krishnan predicts , will reveal a transformed picture: "My hope is that we will see a lot of activity in the first quarter of next year."

McCann sees an even faster shift: "By the end of this year, I think we'll see a number of UK banks announcing significant new digital products to help with credit, liquidity, treasury and other transactional banking requirements, particularly at the smaller end of the market. There's no way we're going back to normal after this." CB

SPECIAL REPORT

Sustainable lending: the new normal?

With both businesses and banks busy embedding environmental, social and governance practices into their activities, the post-COVID-19 world is perfectly poised for a green and inclusive recovery.

F**or** all its shocking impact on health, society and the economy, COVID-19 represents just a taste of the havoc that the climate crisis could wreak. The Committee on Climate Change has led a chorus of calls for the UK government to make the pandemic a defining moment in the fight against global heating.

In theory, they are pushing at an open door. Businesses claim to be committed to a green recovery. More than 90% of companies surveyed by HSBC aim to re-engineer their businesses to be more sustainable.

The onus is on lenders to play their part. Corporate and commercial banks have a vital role in supporting a recovery that is not only 'green', but sustainable and inclusive. Coupled with increasing regulation, this pressure is set to accelerate the growth of lending that encourages sound sustainable practices.

Price and performance

'Green loans' to finance defined environmental projects have been a feature of the market for some time. The term is sometimes used to encompass the relatively recent product class of sustainability-linked loans (SLLs). Both are now covered by Loan Market Association voluntary frameworks. The key difference between the two is that SLL pricing is directly linked to the borrower's performance against agreed sustainability targets.

In early financings, the borrower benefited from reduced loan margins if they met these criteria. If they fell short of their sustainability goals, the lender did not reduce the margin, but there was no additional penalty. Recently, however, two-way pricing has become more prevalent, with the borrower facing a price increase if their performance dips.

Could this lead to a perverse incentive – in which lenders could profit from the failure of a borrower to meet its sustainability goals? Some financings have found a way around that issue – for instance, replacing the price increase with a requirement for the lender to pay into a separate account, which is then used to bolster its sustainability activity.

Society benefits

Ana Xhemalaj, one of the finalists in the Institute's Young Banker of the Year competition, notes another alternative as part of her proposal. "The lender could reinvest the penalty into their own sustainable agenda, or it could be reinvested into an appropriate third-party project or organisation, such as a charity, nominated by the client," she says. "In this way we ensure that the social angle remains the priority."

Xhemalaj notes that SLL discounts are tokens, and as such not designed to drive customer behaviour in isolation. However, she believes they are still useful: "The margin ratchet creates a window of opportunity to engage clients on their sustainability agendas when discussing some of their other, more traditional, financing needs."

In her competition paper, Xhemalaj has proposed a revolving credit facility linked to a borrower's performance on gender equity. This acknowledges the need for the SLL conversation to reflect progress in areas far beyond environmental activity, such as diversity and inclusion, and in particular the economic advancement of women. It also reflects her view that social impact should ultimately become part of mainstream lending business strategy, as well as being at the heart of measures to tackle the pandemic.

Beyond the big corporates

"If we start utilising existing, well-established financing products more, we could overcome at least the initial susceptibility towards the immediate benefit to the client," Xhemalaj explains. "We also debunk the idea that we can only promote sustainability via capital market instruments, such as social bonds, or impact funds, which are often appropriate only for investors or clients already committed to the cause."

At present, she points out, material on the longer-term commercial benefits of sustainability is geared almost entirely towards large corporates. "The task really is to streamline SLLs and increase awareness among smaller companies, which are perhaps less likely to consider sustainability," Xhemalaj believes.

"I think once this knowledge gap is reduced further and we see more cross-collaboration between lenders, investors, policymakers or non-profits, we will see a lot more proactivity from clients choosing sustainability-linked facilities despite pricing differentiation," she concludes. CB

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THE DAVIDSON COLUMN

Getting Britain back on its feet

The window of opportunity to prevent unsustainable debt sinking otherwise viable businesses is small – and shrinking fast, says Miles Celic, CEO of TheCityUK.

The COVID-19 pandemic began as a global public health crisis, and rapidly become a global economic crisis of significant scale. To date (27 September) there have been just under 33 million infections worldwide and nearly 996,000 deaths, and little sign of the virus going away soon. The stress and strain the pandemic has put on people, communities and businesses has been immense – and without a vaccine ready to deploy, those pressures are likely to continue for some time.

Here in the UK, the government acted quickly and decisively to ensure that people were supported to manage through the lockdown and that businesses were cushioned from the initial shock. The industry has worked closely to support the delivery of these initiatives. These interventions have safeguarded millions of jobs and put the UK economy in the best position to recover. However, while the government's actions have provided essential immediate-term relief, over the medium-to-long term, trading conditions are forecast to remain tough, the furlough scheme will soon come to an end, and businesses will have to start repaying deferred payments and any additional debt they have taken on. For some, the pressure may simply be too great.

"Analysis by TheCityUK and EY has shown that a substantial proportion of businesses' debt may well become unmanageable by March 2021."

To date, the government has guaranteed in the region of £50bn of lending to businesses through the Bounce Back Loan Scheme (BBLS), Coronavirus Business Interruption Loan Scheme (CBILS) and Coronavirus Large Business Interruption Loan Scheme (CLBILS) and deferred more than £30bn in VAT, in addition to other taxes postponed. However, analysis by industry body TheCityUK and EY has shown that a substantial proportion of this debt may well become unmanageable by March 2021.

Finding innovative ways to support businesses to repay this additional debt and enable them to grow again is vital. The right solution will also ensure they can continue to play their important part in powering economic recovery up and down the country.

To tackle this challenge, TheCityUK, supported by EY, convened a group of senior practitioners from across the industry to think creatively about how industry and government could work together to support the recapitalisation of small and medium-sized enterprises (SMEs). The scale of this work has been as unprecedented as the challenge it sought to address, with more than 200 individuals from 50 firms volunteering their time and expertise.

The output of this work – which you can read more about in our report 'Supporting UK economic recovery: recapitalising businesses post Covid-19' – is a far-reaching set of options for converting, restructuring and repaying this debt. If taken forward, these options will help hundreds of thousands of SMEs get back on their feet, save millions of jobs, protect billions of pounds of taxpayer money, and present a real opportunity to leave a lasting positive legacy of regional growth and investment across all parts of the UK.

Central to the options is the founding of a new entity, a UK Recovery Corporation, which would both issue and hold, and oversee and manage, the unsustainable debt that is already government-guaranteed, in order to support funding on more manageable terms for businesses. It would also provide a vehicle into which the private sector could invest over time.

Through the UK Recovery Corporation, viable SMEs would be able to convert their loans into new products enabling them to manage their debt in a more sustainable way without being put into default or giving up equity in their business. For smaller debts, unmanageable loans could be converted into means-tested tax liabilities. Larger crisis loans could be converted into preference shares or long-term subordinated debt.

The chance to prevent debt overwhelming otherwise viable companies must not be missed. Our industry stands ready to play its part by working in partnership with the authorities to help these companies recover and, in so doing, to get Britain back on its feet. CB

Read the 'Supporting UK economic recovery: recapitalising businesses post Covid-19' report at: thecityuk.com/research/supporting-uk-economic-recovery-recapitalising-businesses-post-covid-19/

CUSTOMER COMPLAINTS

Scope widens for new banking resolution service

The Business Banking Resolution Service may have been set up for historical complaints, but following the events of recent months a broader range of activity is now expected.

Long before the term 'COVID-19' had been heard of, one of the banking milestones scheduled for 2020 was the launch of the ombuds-like Business Banking Resolution Service (BBRS). The service is due to start this autumn, despite the disruption of recent months – although it's likely that the scope of activity will be wider than originally planned.

The origins of the BBRS date back to the 2008 financial crisis, during which time many small businesses felt they were poorly treated by banks. With several groups campaigning for remediation, the banks set up an independent review, which was conducted by Simon Walker in 2018. The Walker Review identified a number of recommendations, which included extending the jurisdiction of the Financial Ombudsman Service (FOS), creating a voluntary ombudsman scheme for SMEs, and setting up a mechanism for dealing with historical complaints.

Following the Walker Review, the jurisdiction of the FOS was extended in April 2019 to cover SMEs with a turnover of less than £6.5m. In addition, UK Finance and several banks began setting up a new scheme to deal with both historical and contemporary complaints. The scheme was devised with representation from the SME community as well as participating banks and observers from the Treasury, the FOS, the Financial Conduct Authority and UK Finance. While the scheme was originally intended to include complaints from 2008 onwards, this was extended back to 2001 following lobbying from the SME community.

Progress so far

In August 2019, the BBRS was established as a company, with Deputy High Court Judge Alexandra Marks taking the role of Chief Adjudicator, Samantha Barrass appointed as Chief Executive and Lewis Shand Smith as Chair. In February 2020, the BBRS announced the scheme would be set up in partnership with the Centre for Effective Dispute Resolution (CEDR), which would review both historical and contemporary cases.

"We realised from the beginning that we will not be dealing with large numbers of complaints – but we will be dealing with complaints that are highly complex, of a high value, and with a high level of emotional involvement from the companies themselves," says Shand Smith. "We partnered with CEDR to give us flexibility, but also because we felt the culture and ethos would match what we were trying to do with the BBRS."

Shand Smith says the service is now "on the last sprint" and is due to be fully live by autumn. In the meantime, the BBRS has embarked on a live pilot covering around 50 cases. While the pilot has been slowed down

somewhat by the pandemic, Shand Smith says it has proved to be a very useful exercise in confirming the policies in place are effective, and that settlement can sometimes happen without the need for adjudication. On the flip side, the exercise has made it clear that certain cases may take longer than expected to resolve if complainants are slow to respond.

Widening remit

Where eligibility is concerned, the BBRS is intended for UK-registered businesses which have first made complaints to their banks. The historical scheme, which covers the period from 1 December 2001 to 31 March 2019, is for businesses with a maximum annual turnover of £6.5m and total assets of up to £5m. The current scheme, covering 1 April 2019 onwards, is for businesses with a turnover of up to £10m and total assets of £7.5m, in cases where the complaint is not eligible to be dealt with by the FOS.

While the service had originally been expected to focus on historical cases, the current crisis could mean that the scope of complaints handled by the BBRS is considerably wider than first anticipated. Of the 400-plus cases already in the pipeline for when the service goes live, many are contemporary – and this is likely to continue.

"The message we're getting very strongly from the Treasury, the FCA and the SME community is that we should be prepared to deal with complaints arising because of the COVID-19 loans, as well as traditional loans people have been trying to get for the same reason at the same time," comments Shand Smith. Indeed, a survey carried out by the BBRS in May found that almost one-third of respondents have this year experienced behaviour from their bank that could result in a fresh complaint.

"Within the SME community, there seems to be a positive reaction to how the banks have behaved during this crisis," says Shand Smith. "However, with the best will in the world, things will go wrong. For example, there may be people who didn't get one of the loans they applied for, or complaints that the goalposts changed."

Consequently, the BBRS is preparing for a shift in emphasis – which, as Shand Smith points out, will need to be handled while still supporting the historical complaints which led to the creation of the service. While the process will be the same for both historical and contemporary complaints, the new complaints are likely to come with a greater sense of urgency.

In addition, the current nature of the new complaints may present an opportunity for the BBRS to provide feedback, both to individual institutions and to the Treasury Select Committee. "That feedback is about how the customers were treated at the time, but also about how the bank handled the complaint," says Shand Smith. "Really the aim is to make sure that the banks learn and improve their own complaint handling – they shouldn't want any of their complaints to come to us."

"The aim is to make sure that the banks learn and improve their own complaint handling – they shouldn't want any of their complaints to come to us."
Lewis Shand Smith, BBRS

Next steps

Once the scheme is live it will be as accessible as possible, and businesses will be able to access it in a number of ways including over the phone and by post. While people will be able to approach BBRS as an alternative to taking a dispute to court, the banks will also have a mechanism for informing people about their right to use the service.

"One difference between this service and most ombuds schemes is that we're providing an in-house hand-holding service – we're developing customer champions, so that if it's too much for somebody to assemble all the materials and deal with it, there'll be someone to help them," says Shand Smith, adding that in such cases the complaint will still need to come from the complainant.

Looking further ahead, the future of the scheme is not set in stone. Originally the BBRS was intended to have a three-year lifespan. "The whole point is to make sure that larger SMEs can take out loans without worrying that if something goes wrong, they can't afford to go to court," says Shand Smith. "It's been recognised there will always be a need for this service, but in what form we don't know at the moment – it may become part of the FOS, it may continue in its own right."

In the meantime, Shand Smith emphasises the importance of building trust between lenders and SMEs. "There was a period when SMEs seemed unwilling to borrow, but as the economy tries to recover, the need to borrow will be greater," he concludes. "So, the need for trust is also greater. We can help by providing that protection, and by helping the banks build trust with the SME community." CB

DEALING WITH DEBT

The road to recovery

With businesses and consumers adding to their debt burdens during the lockdown, what are the possible routes through the unfolding crisis?

The achievements of the financial services industry in supporting businesses and consumers through the pandemic are not to be underestimated. During this extraordinary period the industry has demonstrated considerable agility and collaboration, bringing essential support to millions at a time when many industries were unable to operate.

As the UK's COVID-19 outbreak gained momentum earlier this year, business activity shuddered to a halt – a situation that was alleviated with an unprecedented wave of support for businesses and individuals, including the Coronavirus Business Interruption Loan Scheme (CBILS), the Coronavirus Large Business Interruption Loan Scheme (CLBILS) and the Bounce Back Loan Scheme (BBLS). In addition, more than nine million workers were furloughed through the Coronavirus Job Retention Scheme.

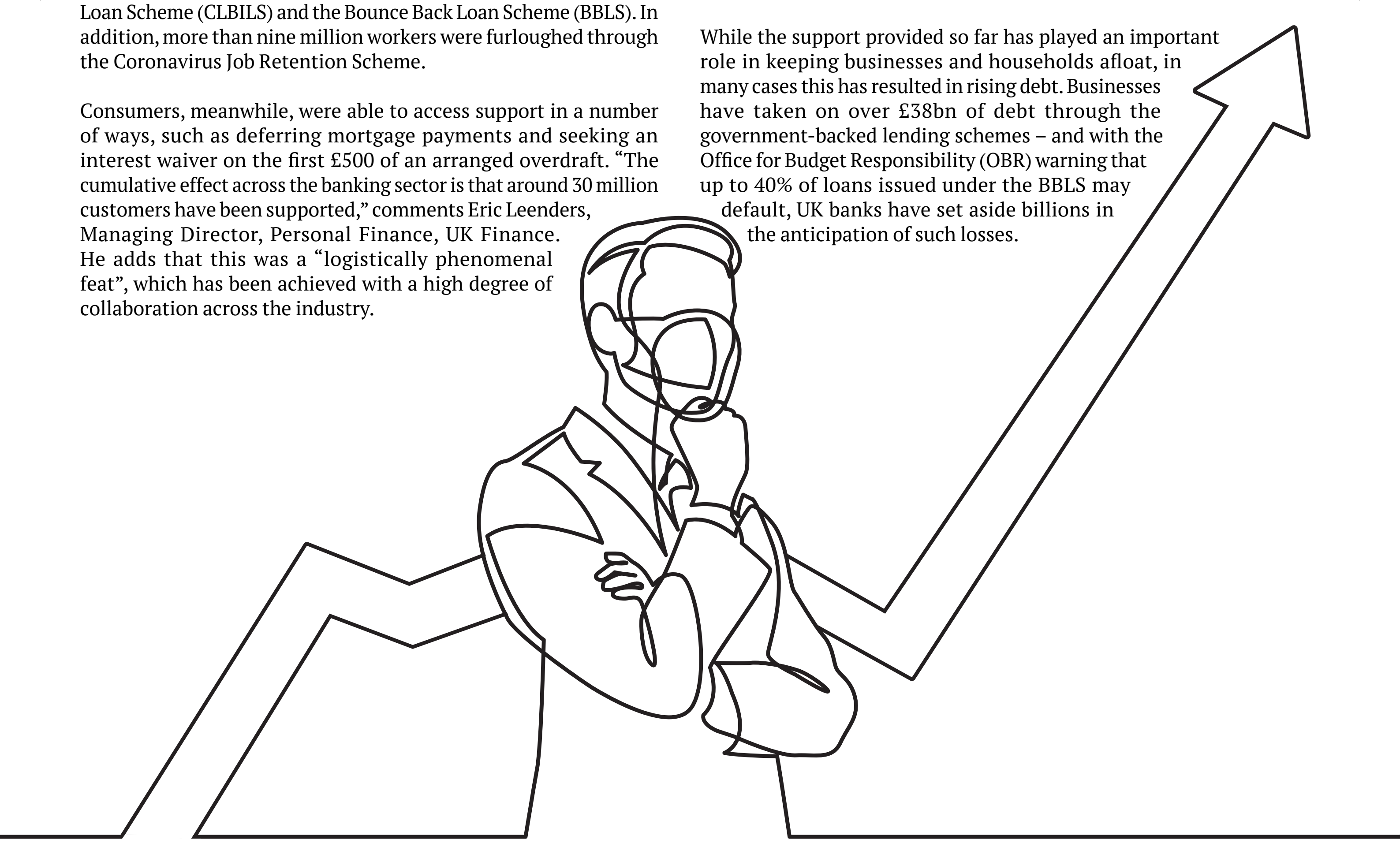
Consumers, meanwhile, were able to access support in a number of ways, such as deferring mortgage payments and seeking an interest waiver on the first £500 of an arranged overdraft. "The cumulative effect across the banking sector is that around 30 million customers have been supported," comments Eric Leenders, Managing Director, Personal Finance, UK Finance. He adds that this was a "logistically phenomenal feat", which has been achieved with a high degree of collaboration across the industry.

While much has been achieved, it's no secret that the support measures adopted during the crisis will not continue indefinitely. The Job Retention Scheme is due to wind down at the end of October, although the government has announced a Job Retention Bonus for employers who continue to employ previously furloughed staff until 31 January 2021. Nevertheless, the end of the scheme is likely to act as a catalyst for businesses when deciding whether or not they are able to retain staff going forward. At the same time, mortgage payment deferrals and overdraft support are due to expire on 31 October, placing additional pressure on consumers.

Mounting debt; record repayments

These impending deadlines are prompting some important questions. "In the past few weeks and months, there has been a steady increase in discussions around what is going to happen towards the back end of this current crisis," says Dave Rome, Strategy Director of global law firm Ashurst's corporate lending team. "At that stage, you will have individuals, SMEs [small and medium-sized enterprises] – and, to a lesser extent, large corporates – considering how they are going to manage the excess debt they have taken on during the crisis."

While the support provided so far has played an important role in keeping businesses and households afloat, in many cases this has resulted in rising debt. Businesses have taken on over £38bn of debt through the government-backed lending schemes – and with the Office for Budget Responsibility (OBR) warning that up to 40% of loans issued under the BBLS may default, UK banks have set aside billions in the anticipation of such losses.



"It's an inescapable fact that some of the debt that businesses have incurred in the crisis will turn out to be unaffordable," said Charles Randell, Chair, Financial Conduct Authority, at a recent virtual UK Finance event. "Tackling this overhang of debt quickly and fairly will be essential; it must not become a drag on the recovery."

Where consumers are concerned, it's important to note that not everyone has been affected equally by the crisis. Many people have been able to reduce their debt during the crisis as their commuting, holiday and other costs have fallen. Indeed, Bank of England figures revealed that consumers repaid a record £7.4bn on their credit cards and personal loans in April.

The picture is, of course, different for others, including furloughed workers experiencing reduced income, and those facing job losses. "If we look at the worst-affected segments of the UK population, which I call the 'financial survivors', who equate to almost a quarter of the population, 76% of those people are worried about not being able to pay the bills," comments Nicole Huyghe, founder and CEO at Boobook. In contrast, she says, the 'comfortable optimists' that make up around a quarter of Brits, have no financial worries at all. "So, what we see is a very unequal impact of COVID-19 across UK society, and an impact that could potentially create an even bigger division between the haves, and the have-nots."

With the industry preparing for the end of deferrals, Leenders says the focus will be on making sure that customers are brought back onto repayment schedules – and that when this is not possible, customers are provided with different types of support. "Customers will continue to be supported – it's just that the manner in which they will be supported after October 2020 and into 2021 will be through more traditional forbearance measures," he comments. "In the case of a mortgage, this might mean a period of interest-only payments or an extension of terms. We're now in a situation where we need to see what should be done in a more bespoke or individual way."

Fundamental questions

In the meantime, some are considering whether a societal shift is needed, particularly in terms of consumer debt. In his UK Finance speech, Randell underlined the need to "look to the future and ask ourselves some fundamental questions about the role of debt and saving in our society".

These are questions that had already been under consideration before the crisis began. Trevor Williams, former Chief Economist at Lloyds Bank Commercial Banking and Visiting Professor at the University of Derby, cites measures taken by the Bank of England to ensure that customers understand the implications of repaying minimum amounts on credit card balances.

"Those things are still there – the technical things that are driving people to pay off loans more quickly, and ensuring there's more sustainability in the level of indebtedness that's being carried," he says. Looking forward, Williams predicts there will be more caution around lending: "Moreover, the 'precautionary' reason to save will override the desire to borrow as unemployment rises, bankruptcies increase and others at risk seeing this will save more in case the same thing happens to them."

"Tackling this overhang of debt quickly and fairly will be essential; it must not become a drag on the recovery."

Charles Randell,
Financial Conduct Authority

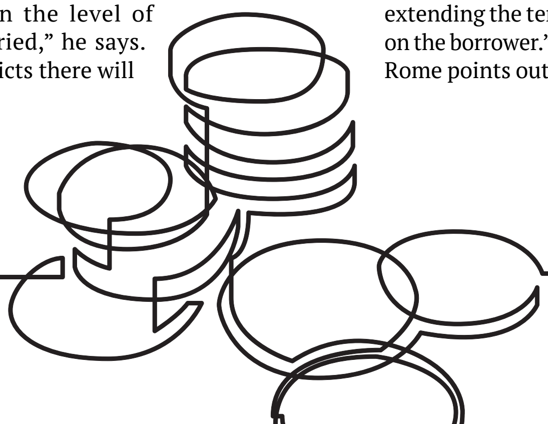
Where saving is concerned, meanwhile, there is something of a balance to strike. Boobook's Huyghe points out that while a key challenge for the industry and government during a recession is to stimulate spending, the "vast majority of consumers in the UK are geared towards reviewing spending, saving where possible, and looking to future security".

Bigger picture

Some creative options have been mooted when it comes to supporting both consumers and small businesses. Professor Emilios Avgouleas, who holds the International Banking Law and Finance Chair at the University of Edinburgh, argues that the government needs to "identify infrastructure projects that are of national necessity and progress those fast in order to create new jobs, especially in the semi-skilled sector". He also notes the possible application of technologies such as blockchain to facilitate borrowing for consumers, citing a consumer credit platform he is currently developing with a colleague.

Where the debt incurred by small businesses is concerned, Avgouleas suggests the government should create a special purpose vehicle and turn some of the loans issued into equity. "What businesses need right now is fresh capital, rather than even more credit and loans," he comments. Former Chancellor of the Exchequer George Osborne recently went one step further, telling the Treasury Select Committee that the government should write off coronavirus loans taken out by micro and small businesses

Citing the Recapitalisation Group initiative spearheaded by TheCityUK, Ashurst's Rome adds: "Various institutions including banks, advisers, accountants and lawyers have been trying to suggest various ways of mitigating this situation – whether it be the government taking equity stakes, or the establishment of a bank which deals with these kinds of situations. Then there's talk of extending the terms of the BBL or CBIL schemes to ease the burden on the borrower." But while different solutions are being considered, Rome points out "there is no definitive agreement yet". CB



RESHAPING BANK BRANCHES

A catalyst for change

A pioneering, bank-agnostic branch model works on several practical levels and benefits both customers and the banks, says OneBanks' Chief Operating Officer David Hensley.

The future of bank branches has been under discussion for a number of years. Banks know they need to retain a physical branch network to connect with their customers. And even in the digital age there are still some services that are best carried out face to face.

But as customers increasingly move to online and digital channels, footfall has decreased. Many people value the convenience of managing their money via a website or an app on their mobile. With these alternatives widely available, visiting a bank can seem like an unnecessary effort and, as a result, many branches are no longer viable from a cost-to-maintain perspective.

These trends have only been accelerated by COVID-19, which has forced the pace of digital adoption and, for a time, brought about an almost cashless economy.

David Hensley, COO, OneBanks, comments: "It would be wrong to discount the impact of COVID-19, but certainly many elements that it has brought to the fore were already in play."

Branch networks

"A customer's relationship with a bank is binary – but the reality is that fewer and fewer people are visiting the traditional branch. This decreased footfall is making it simply uneconomical for banks to keep all of their branches open," he explains.

Consequently, he believes, banks need to think carefully about the location of the branches that are kept open and how they can use technology to reduce staffing requirements within them. Hensley notes that several banks are already doing this particularly well.

Community impact is high on the agenda when it comes to the branch closure debate. Although the use of branches is declining, they offer essential banking services to many groups – including the elderly and unbanked, who typically rely more on cash, and those who simply prefer to bank in person.

There are also implications for choice and competition. If a community, such a neighbourhood within a city or a small town, has just one single bank branch, customers of other banks who want to conduct their business in person must either travel to their own provider, if able, or join the sole available bank.

Financial inclusion for all

A bank-agnostic model, such as the concept offered by OneBanks, aims to solve these issues for banks and customers alike.

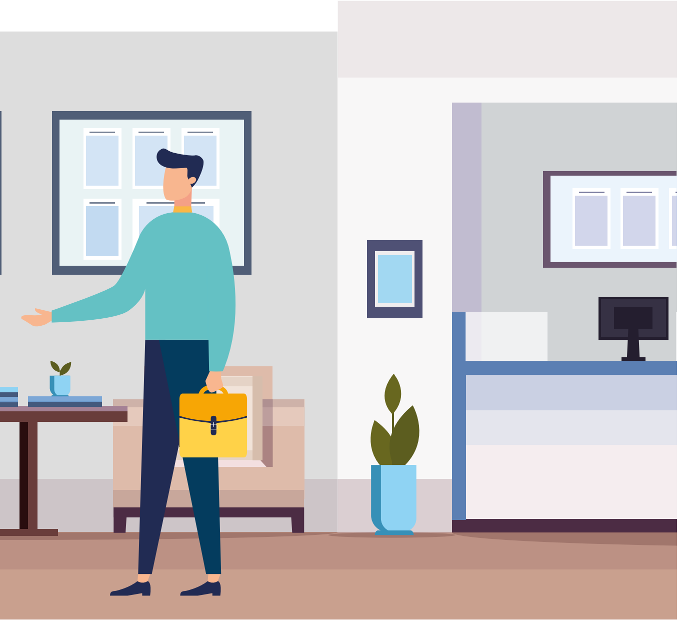
Hensley explains: "COVID-19 has brought about sharp focus when it comes to the how, when, where and timing of branch banking. Essentially our offering will help banks to plan and control the organisation of the location of their own branches. Customers from any bank will be able to come in and transact as normal in one of our OneBanks kiosks, across all their accounts, using sophisticated authentication, and Open Banking APIs. There is the ability to make a screen look and feel like it belongs to the customer's own bank and there is also an ongoing discussion about external and internal signage."

The vision is that a banking kiosk in the middle of a community can provide everyday banking services to customers of any participating institution. The aim is not to be full service, Hensley clarifies. OneBanks' kiosks won't sell services or deal with issues such as complaints, investments or probate, but customers will be able to carry out day-to-day transactions.

"It's a real opportunity to work with the community, to address their needs, by using Open Banking to bring financial inclusion to everyone," Hensley adds.

As well as providing 'in person' banking services, the kiosks will also have a vital educational role. Staff will be able to offer support and educate customers as to how to use and leverage digital services and channels.

Decisions regarding the location of the kiosks will be taken in partnership with the participating banks



"What's unique about OneBanks is that it is not a bank; it's completely complementary to banks."

with input and involvement from local focus groups and communities. "This won't be an out-of-the-box, single-service proposition, it will instead be tailored to meet the needs of a particular community. The look and feel will be the same, but the needs of each individual community will be met. In addition, each OneBanks kiosk will support around eight jobs, and we plan to recruit locally," Hensley explains.

We should acknowledge that the Post Office has offered banking services for some years. What's unique about OneBanks is that it is not a bank; it's completely complementary to banks – and gives customers access to their existing bank accounts. Banks have been reluctant to have their customers engage with the Post Office, preferring to maintain their brand and positive experience wherever possible. OneBanks provides an accessible catalyst for change without disrupting the main bank's relationship with its customer.

Benefits to banks

What is new now, though, is that in addition to the economic advantages of not having to maintain a large bank network, the OneBanks model brings about other benefits for banks.

Hensley comments: "We do not sell to their customers – the commercial relationship is between us and the bank and by outsourcing the basic day-to-day transactions the bank is left free to focus on the more complicated stuff that is higher up the value chain. This model leaves them time and space to add value elsewhere."

Indeed, the ideal sweet spot for banks lies not in facilitating everyday transactions, it is in lending money and selling products, such as mortgages, loans and credit cards. Business customers with high volumes of deposits or payroll needs are also a profitable market.

Banks know this, of course, stresses Hensley. "Banks do understand the issues around bank branches and the economics of it, and they also understand how this will work for customers too. While they are giving up ownership and control over the transactional part of the relationship, they retain the account, maintain their brand and enhance the relationship with their customers," he says.

The downsides of giving up that control are outweighed by the benefits of this retail branch model. Indeed, in the past banks themselves have found it hard to take a collaborative view and have even been hindered from doing so by stiff competition laws. And although the Community Access to Cash Initiative, and Link, the ATM provider, has moved to protect free access to cash for every UK high street, this remains a difficult political and economic issue.

Natalie Ceeney CBE, Chair, Community Access to Cash Pilot, said, "Cash remains critically important to both individuals and communities across the UK. The rapid switch to digital is threatening the viability of today's cash infrastructure. This can lead to consumers left without cash access or forced to leave their own village or town to get cash elsewhere, often at significant inconvenience and cost. In turn, local retailers lose custom, as consumers spend their cash elsewhere, and then struggle to bank their cash takings without shutting up shop to drive to a bank branch some miles away, losing revenue and frustrating customers. It's critical that we find ways to protect the viability of cash, for consumers and communities alike. It's great to see innovation in the cash market and I look forward to seeing the results of OneBanks' launch."

Hensley adds: "COVID-19 has been a force for change in that it has pushed this into sharp focus. Food retailers collaborated over stock within weeks and this has showed the banks what is possible."

OneBanks' offering is set to launch later in the year. "We are finalising the tech, partnerships and logistics. By the time of the launch, personal and business customers of all banks will be able to access our app and kiosks, where they will be able to experience every aspect of our core offering: digital sign-up, cash and cheque deposit, cash withdrawal and bill payments using both traditional face-to-face relationship banking and our automated solution," says Hensley.

"Open Banking was meant to unlock new opportunities for every financial ecosystem. In the process, we've left behind part of our communities due to restricted accessibility. We see a real opportunity to help customers access their bank accounts, on their own terms, via our OneBanks kiosks, and for banks to benefit from reduced costs and the opportunity to focus on their higher-value activities," Hensley concludes. CB

BREXIT

Now and next: the transition

The COVID-19 crisis may have diverted attention away from Brexit but, with the end of the transition period looming, what steps have the banks been taking to secure a frictionless departure from the European Union?

The UK left the EU on 31 January, entering a transition period that is due to continue until 31 December. This journey has, of course, been overshadowed by the arrival of the pandemic but, despite the challenges of recent months, ensuring a smooth exit from the Brexit transition period continues to be a priority for the financial services industry.

Fortunately, considerable progress had already been made towards this goal before the current crisis began. "As banks look ahead to transitioning out of the COVID-19 pandemic, they can generally regard themselves as part of the solution to the economic difficulties of the pandemic, rather than part of the problem," comments Michael McKee, Partner, DLA Piper. Where Brexit is concerned, he adds that banks "will mostly be well prepared for the transition, because they had to prepare for a no-deal Brexit in 2019 and those plans are still in place and available to be used".

Deal or no deal?

At a speech given remotely in May, Nausicaa Delfas, Executive Director of International, Financial Conduct Authority (FCA), said: "We have continued to do whatever we can within our remit to prepare for a range of scenarios, and ensure as smooth a transition as possible."

So which scenarios are banks preparing for at this stage? "I think there are only two scenarios in place: no deal, or partial deal," says Trevor Williams, former Chief Economist at Lloyds Bank Commercial Banking and Visiting Professor at the University of Derby, who predicts that there will be no Free Trade Agreement (FTA). "It looks like there won't be an extension either – while it's not impossible at the time of speaking, an extension would have needed to be requested in June."

Even if an FTA is secured, the impact on financial services may be less significant than many imagine, argues Conor Lawlor, Director, Brexit, Capital Markets and Wholesale, at industry body UK Finance. For one thing, he notes, there is a considerable difference between the implications for goods and services: "In January, deal or no deal, you'll still be able to buy French wine or a German car; it may be more expensive or cheaper depending on the tariffs underpinning those goods. But financial services are highly regulated, and are underpinned by very different, sometimes changing and overlapping laws. Given the gap in rights and obligations for services between those inside and outside the single market there won't be an awful lot you can do in the UK for a European customer once we leave. Where you can, it will require innovative solutions and navigating complex and differing legal and regulatory regimes."

In practice, Lawlor says, "for services, a deal is closer to no deal than it is to passporting in the single market – therefore there is still a huge amount to do for January to ensure the industry is 'match-fit', even if we have a deal signed by the end of the year". As such, the conversation has moved away from trying to synthesise elements of passporting for the UK "to simply being ready for a world in which we are going to be very far away from the single market". For financial services, while an FTA can be a helpful stepping stone, the real benefits are likely to be seen through complementary supervisory cooperation and regulatory dialogues between key international markets.

Planning and preparation

Against this backdrop, McKee says that banks are, in general, "hoping for the best but preparing for the worst – i.e. assuming a no-deal Brexit will be the outcome." He continues: "Consequently, those who have clients in other EU countries will all have set up subsidiaries in one or more EU countries to which EU-located customers have been, or will be, migrated. This will generally result in continuity of service for customers who have been migrated."

A key concept in the Brexit journey is that of equivalence – in other words, whether jurisdictions are deemed to be at a similar level in regulatory terms and can therefore be recognised as an equivalent partner. Lawlor says that with equivalence agreements becoming increasingly politicised, progress has been slow – meaning it is unlikely that there will be a large number of equivalence agreements in place come January 2021.

> **"In January, deal or no deal, you'll still be able to buy French wine or a German car. But… there won't be an awful lot you can do in the UK for a European [financial services] customer."**
>
> Conor Lawlor, UK Finance

Indeed, Alex Szmigin, Risk Advisory Partner, Deloitte, notes that the scenario most banks are planning for remains very similar to when they started on the Brexit journey four years ago – namely "an expectation of no equivalence except in the area of central counterparties [CCPs]". Szmigin adds that the European Commission's publication on 12 July on equivalence has supported these assumptions.

That's not to say nothing has changed. "The main area of divergence now to previous assumptions is around the 'back book' of legacy over-the-counter [OTC] derivatives transactions," says Szmigin. He explains that for previous 'no-deal' situations – such as those in March and October 2019 – national regulators had announced some measures to enable UK-based firms to continue servicing EU-based customers' existing stock of transactions. But as Szmigin points out: "This now looks more uncertain."

As a result, he says, "most banks are assuming such measures will not be in place, and are commencing the process of notifying existing European Economic Area [EEA] clients that they will have to novate trades to their EU entity or will otherwise not be able to fully service existing contracts".

Expectations and complications

At this point, the majority of banks have either received authorisation for their proposed EU entities or gained approval to repurpose existing entities. However, Brian Polk, Director, PwC, says that three main 'end of transition' tasks still remain for UK-based banks: completing EU entity staffing of senior roles; the transition of EU customer business; and developing a level of 'self-sustainability' of the EU entity for booking models and operational capability.

In the meantime, it's fair to say that COVID-19 has diverted management attention away from this topic, as well as hindering activities such as hiring staff in the EU and the movement of personnel between geographical locations. "EU supervisors expect banks to complete their post-Brexit business plans, and particularly want senior risk management roles to be locally resident, but COVID-19 complicates and delays the task of completing cross-border staff moves," says Polk.

Szmigin also notes that the pandemic has slowed down the remaining EEA client transition activity, which in some cases was put on hold due to competing pandemic response priorities. "This, along with the migration of outstanding OTC derivatives back book products, will now require a concerted effort, both where COVID-19 impacts delayed moves and where EU clients expressed a preference to transition to the EU entity as late as possible."

Avoiding disruption

While banks may be well prepared for the end of the transition period, there is still the possibility of disruption, argues Williams. "On the whole, banks are well prepared to become third parties come 1 January 2021," he says. "But that doesn't mean there won't be delays."

Szmigin says that for UK end-user customers of EU27 banks, "limited immediate impact is expected due to the UK Temporary Permissions Regime [TPR], which can mitigate short-term impacts for EU27 banks with a branch presence in the UK". However, he adds that potential disruption may arise for EEA end-user customers where they have not been able to transfer their trading relationship to an EU affiliate by the end of the transition period, and where impacted OTC derivatives back book positions have not also been migrated across.

In the meantime, negotiations continue. Polk points out that the outcome of the EU-UK FTA negotiations "will have a lot to do with the precise actions and priorities that banks set for completing their post-transition preparations". He concludes: "Banks can expect that plans for staffing and customer outreach will need to be executed at speed, once the outcome of negotiations is clear." CB

COUNTRY SPOTLIGHT

Why banks are the pillars of German communities

Germany has long been the engine room of economic growth for Europe. Its enviable resilience in the face of the 2008 global financial crisis cemented its reputation as a powerhouse economy. But even before the COVID-19 crisis, there were warning signs that it would not all be smooth sailing ahead.

In 2019, German economic growth slowed to its lowest in six years, with a GDP growth rate of just 0.6%[1]. The country had experienced 10 years of expansion, driven mostly by exports. But now its economy is slowing as global trade tensions, uncertainty over Brexit and continued weakness in the automotive industry combined to weigh on those exports. It was a sharp fall from previous years, with GDP growth at 1.5% in 2018 and 2.5% in 2017.

The COVID crisis

With growth already precarious, it's no surprise that the global response to the coronavirus pandemic has pushed Germany into recession. Deutsche Bundesbank's biannual baseline projection in June, which had been finalised prior to the passing of Germany's fiscal stimulus package, anticipated that the economy would contract by 7.1% in 2020 and it could take up to two years to make up the lost ground.

Countries across the world spent much of the first half of 2020 in lockdown, crippling economies in order to help save lives as the coronavirus took hold. This unprecedented policy will undoubtedly be a huge blow to the global economy, but just how severe the recession will be, whether it will tip into depression and whether its effects will be uniformly distributed, remain unknown.

Lessons from the past

The nearest comparable event, historically and in its global reach, is the 2008 financial crisis. The roots of each event are so different that a direct comparison would be foolhardy. We do not yet know how long the pandemic will endure, whether and how its severity will rise and fall, and whether or for how long future lockdowns will be necessary. But the 2008 crash does help us in analysing the resilience of banking systems and their potential effect on the economy.

"Essentially, there was only a brief recession with no lasting rise in unemployment in Germany. The big German banks were affected – and some disappeared entirely, like Dresdner Bank, the second largest, which was bought by Commerzbank in 2009. But there were no commensurate economic consequences in terms of unemployment and GDP. And that's quite remarkable," says Professor Richard Werner, Professor of Banking and Finance at De Montfort University, Leicester, and a past member of the European Central Bank (ECB) Shadow Council. "So how on earth is this possible?"

The answer, according to Werner, is the three-pillar structure of Germany's banking system. In the UK and many other European countries, public sector banks and cooperatives have been phased out over time and financial institutions have consolidated. This has contributed to the prevalence of large multinational banks, classed in the last financial crisis as "too big to fail".

The three pillars

But in Germany, there are three types of bank: private commercial banks, public sector banks and cooperative banks, where customers are co-owners. The private commercial banks are still the largest segment by assets, accounting for around 40% of total assets in the system. They are also critical for the export economy, as they maintain almost three-quarters of the German banking industry's foreign network.

The second pillar, the public banking sector, includes Sparkassen (savings banks), Landesbanken and DekaBank. There are around 380 of these banks, which normally have local governments as their guarantors, and their business, therefore, has geographic limits.

"Their main business is to lend to local small firms, this is SME [small and medium-sized enterprise] lending at a local face-to-face level," explains Werner. "But they're also complete, overall retail banks, they offer a wide range of services, beyond even what the big banks in the UK currently offer. So you can go to your local Sparkassen savings bank and you can buy stocks and shares. You can buy gold, you can carry out international transactions, you can do anything financial, really."

The final pillar is the cooperative banks, whose main difference from the savings banks is their large number and their legal status. There are a sizeable 844 different cooperative banks and one central cooperative bank and they are all owned by their members, who are also their depositors and borrowers. They are mandated to support their members, but they can also provide banking services to the general public. In terms of business model, these banks are very similar to the savings banks, typically lending and operating within a geographic limit.

"The heterogeneity of the German banking sector is a stabilising factor, especially in times of crisis."
Deutsche Bundesbank

The impact of 2008

This system of banking meant that when the effects of the subprime mortgage crisis rippled across the global financial system in 2008, Germany had a whole raft of banks that were unaffected. Large banks, such as Deutsche Bank or the Landesbanks were affected – the first Landesbank was privatised in 2018, when HSH Nordbank, now known as Hamburg Commercial Bank, was taken over by a consortium of private financial investors.

COUNTRY SPOTLIGHT

"The majority of banks in Germany are either local savings banks or local cooperative banks. They process loans only locally in their geographically restricted area, and that meant that they didn't lend to Lehman Brothers and they didn't engage in Spanish property speculation and they didn't lend for high-grade credit-structured products linked to the US subprime mortgages that blew up," says Werner.

"They just did plain vanilla loans to local small firms that they know and retail offerings, like current accounts and savings accounts."

However, there are significant ways in which German banks have been impacted by the 2008 crisis. The profitability of the smaller banks has been hampered by both the persistently low interest rates of the past decade and the subsequent new regulations imposed on banks.

Profitability pressures

In the US, which also has a large number of small banks, there are different regulations and regulators for large and small financial institutions. But in Europe, no such distinction was made when new rules were imposed to help stop another crisis like that of 2008.

As a result, regulations such as Basel III, which substantially increased the amount of capital banks are required to hold, are applied to the smaller public savings and cooperative banks of Germany as they are to a multinational like Deutsche Bank. The number and complexity of regulations has increased and so the cost of compliance has risen. Small banks with a few tens of staff are unable to meet this complexity compared with large financial institutions that have entire departments devoted to compliance. Instead of being regulated differently, they are forced out of business via mergers.

At the same time, the low interest rates and the massive €2.6tn bond-buying scheme operated by the European Central Bank (ECB) between 2015 and 2018 flattened the yield curve, putting further pressure on profitability. These monetary policies have seen the number of banks in Germany drop sharply in recent years.

SMEs and productivity

The strength of the German banking system and its economy have both waned in recent years under these ECB and EU policies, leaving the country in a more precarious position than it occupied in 2008. However, there are fundamentals in the three-pillar system that are still working to bolster the German economy.

Much research has been done into Germany's so-called Hidden Champions. These are medium-sized enterprises, often family-owned, that are not household names, but nevertheless have become world leaders in their niche markets. These companies are the backbone of Germany's export economy and the key to its high levels of productivity and meaningful employment. But despite pouring investment and policy into supporting entrepreneurship, other European countries, including the UK, have failed to replicate their success.

Professor Werner believes the secret to the success of these hidden champions lies with Germany's smaller banks, whose primary function is SME lending.

"The problem with banking in the UK is that the Big Five banks only want to do big deals. They can't make lending to small firms profitable and, therefore, small firms don't get funding. The solution is clearly the introduction of different types of banks, like they have in Germany – small local banks that lend to the small firms in their geographic location," he explains.

Government support in a crisis

Because this system is already in place in Germany, Werner says that government support around the COVID-19 crisis will also reach the right companies and subsequently support the economy.

"Germany still looks far better positioned to handle this crisis than other countries, particularly in its ability to push out a lot of money to help small firms. When the UK tries to increase lending, funds can be held up or go to the wrong companies or industries – mainly large ones. But Germany has an entire network of 1,500 small community banks whose thousands of loan officers can make sure none of this money is wasted," he says.

Deutsche Bundesbank says that the financial system in Germany has responded well so far to the crisis. But there are more difficult times ahead.

"Overall, the German banking sector is well-capitalised, equipped with sufficient liquidity buffers and was capable to withstand the hitherto pandemic-induced stress. Capital ratios declined moderately in Q1 2020 while liquidity buffers even increased in recent months. German banks largely applied pandemic-related measures such as teleworking and closing of branches while remaining fully operational throughout the crisis. Hence, banks have played a stabilising role in recent months by supporting firms and households with necessary funds," it says.

"The governmental support programmes prevented significant loan losses so far. Yet, loan losses are likely to materialise in the second half of 2020 and may continue to do so in 2021. This will further deteriorate the prevalent low profitability of German banks."

"Our biannual baseline projection in June anticipated that the economy would contract by 7.1% in 2020 and could take up to two years to make up the lost ground. But this projection did not take the government's fiscal stimulus into account."

Deutsche Bundesbank

Germany's public purse

Loan losses and insolvencies are the danger now, for both banks and economies. As the crisis continues, the ability of financial institutions and governments to absorb losses will diminish and a credit crunch could follow. But here again, Germany has the upper hand.

Over the past decade, and particularly as the economy slowed, many government critics argued that Germany should ramp up public investment from its vast coffers, built up through years of balanced budgets. Now all that saving doesn't just seem prudent, it looks almost prophetic.

"At the beginning of 2020, there were indications that industry was starting to pick up again. The COVID-19 shock put a stop to that. The pandemic and the measures taken to contain it have sent the German economy tumbling into a deep recession, the deepest the Federal Republic has ever seen. Economic activity dropped by 10% in the second quarter," says Deutsche Bundesbank.

"The good news is that the German economy bottomed out in spring and has since been growing again. However, the economic recovery is likely to be protracted compared to the sudden slump we have witnessed. There is still a very high degree of uncertainty about what lies ahead for the economy. Much depends on the evolution of the pandemic, potential countermeasures, and the economic repercussions.

"For the economy to fully recover, it is important that temporary difficulties do not turn into lasting damage. In particular, a wave of insolvencies would cost jobs and production capacities and could spill over to the banking sector by way of rising credit defaults.

"However, fiscal policymakers took swift and comprehensive action to stabilise the economy during the crisis. In order to support the nascent recovery, a fiscal stimulus package was enacted more recently. And it might actually make sense to roll out further stabilisation measures if the economic situation shows no major signs of improving over time."

Germany has a lot of liquidity in reserve and has shown so far that it is more than willing to spend it. Not only is it spending at home, but the government has also been instrumental in stirring the European Union into its groundbreaking plan to jointly borrow €750bn to respond to the coronavirus pandemic.

The future for German banking

For the banks themselves, Deutsche Bundesbank suggests that this crisis may increase the trends towards consolidation and digitisation and thereby help to increase profitability in the long term.

Digitisation of banking in Germany has been slow to get off the ground in some respects. Many German consumers, for example, still prefer to pay in cash and are not providing the demand that has driven adoption of contactless payments in countries such as the UK. But, of course, coronavirus has changed all that.

"The Bundesbank commissioned an online survey amongst consumers. Almost every second respondent told that they had changed their payment behaviour in shops lately. Of those who had, around 87% paid less cash and 68% paid more often contactless by card. Their aspiration to pay by smartphone in shops and supermarkets also increased," reports Deutsche Bundesbank.

> **"Germany still looks far better positioned to handle this crisis than other countries, particularly in its ability to push out a lot of money to help small firms."**
> Professor Richard Werner

"Hence, the COVID-19 pandemic has given a boost to contactless payments, which again was facilitated by a higher number of POS [point of sale] terminals, especially in smaller shops and a shift in merchants' preferences. Whether the recent shift in payment habits will be permanent, or goes even further, remains to be seen."

Capitalising on cooperation

For proponents of the three-pillar system, consolidation in the sector is a double-edged sword. Some fear that consolidation could continue until one or more pillars disappear. However, Germany's banks will have to find a way to be profitable if they want to survive.

"The heterogeneity of the German banking sector is a stabilising factor, especially in times of crisis. For instance, savings banks and cooperative banks do not adhere to strict profit maximisation, but rather have a mandate to serve their municipalities and stakeholders," says Deutsche Bundesbank.

"In the past, this has limited the riskiness of these banks' operations. Additionally, these banks typically benefit from a strong deposit-gathering ability and close relationships with their clients. In the 2008 financial crisis, the business models of the local cooperative and savings banks have proven their ability to provide key financial services to the real economy, even in times of stress."

"On the other hand, the consequences of the German banking systems' three-pillar structure for competition and banks' profits are well known. Within the cooperative and the savings bank sectors, banks already exploit synergy effects, such as centralised IT systems and services, and try to capitalise on close cooperation. Additionally, within the pillars, there is an ongoing trend in consolidation, which can help to realise economies of scale and decrease costs.

"The three-pillar structure has proven to be helpful in crisis times, though exerting a drag on profitability. However, it does not prevent banks from improving their profitability, so it is up to them to resolve this challenge." CB

OPEN MIC

Positives from the pandemic

In this issue, banking and finance professionals reflect on their experiences during this extraordinary time.

What is the most important thing that you have learned during lockdown, either personally or professionally?

EMILIOS AVGOULEAS
Chair of International Banking Law and Finance, The University of Edinburgh

Like most working parents with young children, I initially saw the lockdown as a very unwelcome trial. The first thing I had to change was constant travelling, the second was working round the clock.

While anybody in the same circumstances had to be immediately armed with endless patience and resilience, thanks to a young child I also reacquired a love for the outdoors. Moreover, work became more structured, leading to the rationing of endless Zoom calls and media interviews to the most impactful. This way I also had some time to think about the world after COVID-19, even though my daughter sometimes comtplained that I was drifting off while reading her a story. Said mind-wandering led to the production of several well-reviewed papers.

So, while I remain a mediocre cook and a frequently overwhelmed worker, I have, at least, become the 'Master of Roar!' – which certainly means something to connoisseurs of fine children's literature.

MARK CURRAN
Business Banking Director, TSB

One of the main learnings I've taken from this is a new awareness of people's phenomenal capacity to respond in a crisis. For example, willingly giving their time to work exceedingly long hours to get the Bounce Bank Loan Scheme (BBLS) and Coronavirus Business Interruption Loan Scheme (CBILS), and the technology around them, up and running.

We doubled our loan book in 36 hours; at our busiest, we did £96m of lending in one day. The commitment to customers has been huge. It's always been there, but I've never seen it laid bare to this extent.

LAUREN FULLER
Customer Journey Developer, NatWest

One important thing I've taken from this time is that our circumstances are all different. It sounds obvious, but one solution for payment holidays, for example, will not be the right one for everyone.

I spoke to the Young Women's Trust, which really opened my eyes as to what was going on around me. Young women have been the most impacted by COVID-19 because they are more likely to be on zero-hour contracts. Many were working in industries in which high numbers were furloughed, but they weren't eligible because they worked part-time hours to fit around their young families. The Young Women's Trust ran a campaign and government petition to raise awareness of the support these women need, but I think there is still some work to be done in that space.

One of the things we really pushed for in my team was to do some charity fundraising. We weren't travelling, paying for lunches or doing the things we used to do, so we wanted to put our money towards supporting those who were really struggling. Something I want to continue doing is keeping that mindset, and knowing that whenever we do anything in the bank, we need to consider our wide range of customers and their circumstances.

NICOLE HUYGHE
Founder and CEO at Boobook

One of the things I've learned from the lockdown experience is that people are much more adaptable and open to change than I would have ever imagined. This pandemic, and the resulting changes to our day-to-day lives, have tested all of us, forcing people to stop and breathe. This, in my opinion, is one of the few (but significant!) positives of the pandemic: without it, not many of us would ever have had the chance to slow down and reset.

ERIC LEENDERS
Managing Director, Personal Finance, UK Finance

I think, along with other sectors and industry, the financial services sector has demonstrated a phenomenal ability to flex the way that it works, far beyond anyone's expectations six months ago. That includes supporting customers, working from home and becoming very efficient in a completely different way.

Moving forward, we're now going to have to learn a third way of working – we've experienced everyone working in the office, we've experienced everyone at home, but we're now going to be looking at a hybrid environment with some people working in the office and some at home.

The industry has really faced into its responsibilities and has demonstrated how it is a force for good in customers' lives. It's difficult to put into words people's gratitude when the worry that they might not have a house in six months' time has evaporated.

That's not to diminish the tragedies and difficulties that many of us have been touched by. But if the industry has alleviated some of the stresses and pressures that people have faced, that's certainly a story worth telling.

DAVE ROME
Strategy Director, Corporate Lending, Ashurst

I think it's difficult to separate personal and work, given we have all spent five months at home…working. Creating a distinction between work time and down time has been a challenge in itself, with my main tactic being to make sure the day has structure – for example, my commute has been replaced with a walk, then work takes over at the same time as it would have in the pre-COVID world.

Added to that, we have all learned the importance of regular and quality communication, both personally and

"The commitment to customers has been huge. It's always been there, but I've never seen it laid bare to this extent."

Mark Curran, TSB

professionally – while pre-COVID one might take for granted the fact that one can contact a friend, relative or colleague, the pandemic created a situation where communication options were limited. Family Zoom quizzes, virtual team drinks, keep-in-touch calls, and increased WhatsApp traffic about any and every subject have all been key to helping keep people upbeat, focused and in contact with each other.

LUKE NORTON
Relationship Manager, Santander Corporate and Commercial Banking

Professionally, I have learned that so much more is possible working remotely than I ever envisaged. I will be very interested to see how day-to-day working changes in the longer term once lockdown restrictions are lifted.

Personally, I have learned to not take 'little experiences', such as going out for a coffee, or lunch, or seeing friends and family for granted. It's been great to finally start experiencing some sort of normality once again.

LEWIS SHAND SMITH
Executive Chair of the Board of Directors at the Business Banking Resolution Service

To begin with it all seemed scary, saying goodbye to everybody and wondering if we would see each other again. I've been very fortunate because my official home is in the Shetland Islands and I got here before the start of lockdown. My house looks on to an internationally

"Like most working parents with young children, I initially saw the lockdown as a very unwelcome trial."

Emilios Avgouleas, The University of Edinburgh

OPEN MIC

> **"People are much more adaptable and open to change than I would have ever imagined."**
> Nicole Huyghe,
> Founder and CEO at Boobook

acclaimed beauty spot, and, apart from not seeing anybody, life has gone on as normal, for example walking the dog.

Professionally, what I've found is that everything has become incredibly intense using Teams and Zoom. There are no longer natural breaks to divide the day, such as walking to a different building for a meeting or an informal, but very valuable, conversation with a colleague while making a coffee. Now that's gone, everything is much more channelled and sometimes issues that would normally be defused quite easily with a conversation become formalised.

The easing of lockdown has felt quite scary too. It's a strange world out there and social norms have changed. Do I wear my mask in the street? Do I press myself against the wall when I pass someone? On the Shetland ferry meals were delivered to the cabins and the disembarking process was strict. Adapting to the new etiquette and social norms is taking time.

CHRIS SKINNER
Author and commentator, TheFinanser.com

Work-life balance has been refreshed. Before COVID-19, all work and little play. Now, a bit of work and a lot play. Balance restored.

SIMON THOMPSON
Chief Executive, Chartered Banker Institute

Professionally: how being further apart can actually bring us closer together. Colleagues, families, friends – and the Institute's members and Fellows.

Personally: how to play the drums to Cannonball, by The Breeders! I've been wanting to learn that for years.

DR RUTH WANDHÖFER
Partner, Gauss Ventures, NED and adviser

What at first seemed incredibly difficult was actually very feasible. Turning a large part of our industry into working from home would have been seen as impossible two weeks before lockdown, but in reality, it worked.

Culturally this shift is irreversible. Technology is now truly being employed to improve the home life-work balance. As everything moved to video calls, I met more people than ever and developed great business relationships, even if I still haven't met them in person. All digital business models have been performing, in some cases beyond any expectation.

From a personal and family point of view, it was the best thing that could happen to me. Home schooling enabled me to be part of my daughters' growth and successes – something that we normally don't get to experience that directly. My two children bonded more than ever and are now inseparable.

TREVOR WILLIAMS
Former Chief Economist for Lloyds Bank Corporate Markets and Visiting Professor at the University of Derby

On the personal level, it was lovely to have quiet streets and hear nature. When you're rushing around being busy, you don't get the space to contemplate and enjoy some of these things.

Professionally, where remote working is concerned you don't necessarily need to go to physical meetings any more and it's absolutely possible to do some of this online – although I think the limitations are showing up as well. It's still important to meet people in person.

There has been a huge increase in demand for information, so for those of us who are in the information analysis business it has been good to see the value this brings.

Another point is how important it is that systems are able to adapt quickly, and the need to upgrade our technology. We need better, faster connectivity around the country – systems went down in some places as they were overloaded. I think they coped admirably, but we need to prepare for a future where the level of demand for internet services will not only remain high but increase as driverless cars, for example, come on stream and new online products are developed. We therefore need 5G as a matter of urgency to drive the next stage of the digital revolution. CB

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Chartered Banker

THE FUTURE OF SKILLS AND LEARNING

Upskill. Reskill. Repeat.

COVID-19 has accelerated existing demand for tech-based expertise, but it has also brought soft skills – such as empowering a remote team – to the fore. As we look ahead, on which key abilities should professionals focus in order to adapt and thrive?

Skills, and lack thereof, have overwhelmingly been talked about in the context of technology, but the financial services skills gap is not just a supply problem. It's about unlocking the potential to augment performance in existing roles – and the ability to adapt to future ones.

Even prior to the COVID-19 crisis, demand for individuals with both financial and technological acumen was outstripping supply. But so-called soft skills are quickly rising up the agenda.

Pockets of excellence

It goes without saying that all workforces will need to be digitally aware and understand common innovations such as blockchain, application programming interfaces (APIs), artificial intelligence (AI) and machine learning – how they fit contextually within the industry, as well as how they are applied in a practical sense.

Some countries have been very advanced and proactive about this, notably Singapore and Hong Kong. But although there are pockets of excellence, the gap between education and employability is an ongoing challenge globally.

Lynn McLeod, Head of Professional Learning, Chartered Banker Institute, believes that, as well as the hard technical knowledge and skills required to do a job well, individuals also need the soft skills that help them work out *how* to do it.

McLeod believes these generic soft skills can traverse roles and sectors. Subsequently, having transferable skills that make an individual more employable is key.

> **"A gap in professional skills exists and needs to be addressed."**
> Joanne Murphy

"Our aim is to help individuals to acquire and augment the skills they need to adapt to the new kinds of jobs that are emerging, prepare for future shocks and uncertainty, and flourish in ever-changing environments. These are the 'meta skills' that help us learn new ones faster, the skills that we can use in different situations and transport to future situations," she says.

Joanne Murphy, Chief Operating Officer, Chartered Banker Institute, also notes that, although technology was critical during the pandemic, having the right people with the right meta skills in place was just as important. "The coronavirus served as confirmation that talent remains an organisation's greatest asset, but also exposed a gap in professional skills that needs to be addressed as part of the new normal," she says.

Empowering people

The creation of the independent Financial Services Skills Commission seeks to address this.

"The Financial Services Skills Taskforce last year identified the importance of upskilling and reskilling," explains Simon Thompson, Chief Executive, Chartered Banker Institute. "The new industry-led Commission is now taking forward the Taskforce's recommendations, working alongside financial services firms, professional bodies and others to help close the skills gap."

McLeod adds: "A key output will be a dynamic framework that sets out the knowledge, skills and behaviours required of those working in financial services. We will be able to use this along with our regular engagement with stakeholders to inform the design, development and delivery of our professional qualifications and continuing professional development resources.

"It is not just a question of imparting knowledge or developing technical know-how, it is about providing the tools to empower people – helping them learn how to learn, think critically – and adapt."

"It is not just a question of imparting knowledge or developing technical know-how, it is about providing the tools to empower people – helping them learn how to learn, think critically – and adapt."
Lynn McLeod

Augmented humanity

This is all the more important given technology's potential to improve human performance. AI is a huge enabler that equips the human to answer the question: 'Who is this customer and what does he or she need next and when?'

Thompson comments: "Among many things, the past few months have amply demonstrated how important it is for people to be adaptive and flexible, be resilient, have good communication skills and empathy with other people. In tough times there has been a sharp focus on people skills."

Clearly there is a requirement for automation and to make the best use of data, but the human at the front needs to understand what the technology is actually saying and apply human inference and behavioral insight to that.

Without good service and a relationship with the customer, the AI and the information is useless because they ultimately want that level of service and to be able to form an emotional connection.

"Digital technology is a great thing when it comes to simple transactional processes, but when it comes to the more complex then people like to talk to someone who can help," believes Thompson. "This is what we term professionalism; someone who has the technical skills to help someone with something such as restructuring debt, mortgage holidays or even how to use an app. But that someone also has to be communicative and empathetic. There needs to be the supportive shoulder as well as the technical knowledge and skills."

Culture of learning

Within financial services, however, the UK has one of the lowest training spends per capita; partially as a result of the massive focus on compliance and technology over the past 10 years – issues that are not mandated can get left behind.

The notion that a bank should train someone once is outmoded, emphasises Murphy. Instead the profession needs to move towards a culture of learning through continuing professional development (CPD) which encourages individuals to take responsibility for their knowledge and progression as much as the employer, and this is where, as the professional body, the Institute has a role to play in partnership too.

"An organisation which understands the importance of continuous learning in building incremental skills will equip individuals with the knowledge that supports innovation, sustainable careers, and organisations. Employees need the time and the space to learn about new or developing areas, such as sustainable finance or digital, then use with meta skills, to apply their new knowledge within the context of their role," she believes. "This is a key driver of innovation and why learning and continuous development has become a strategic imperative for organisations now more than ever."

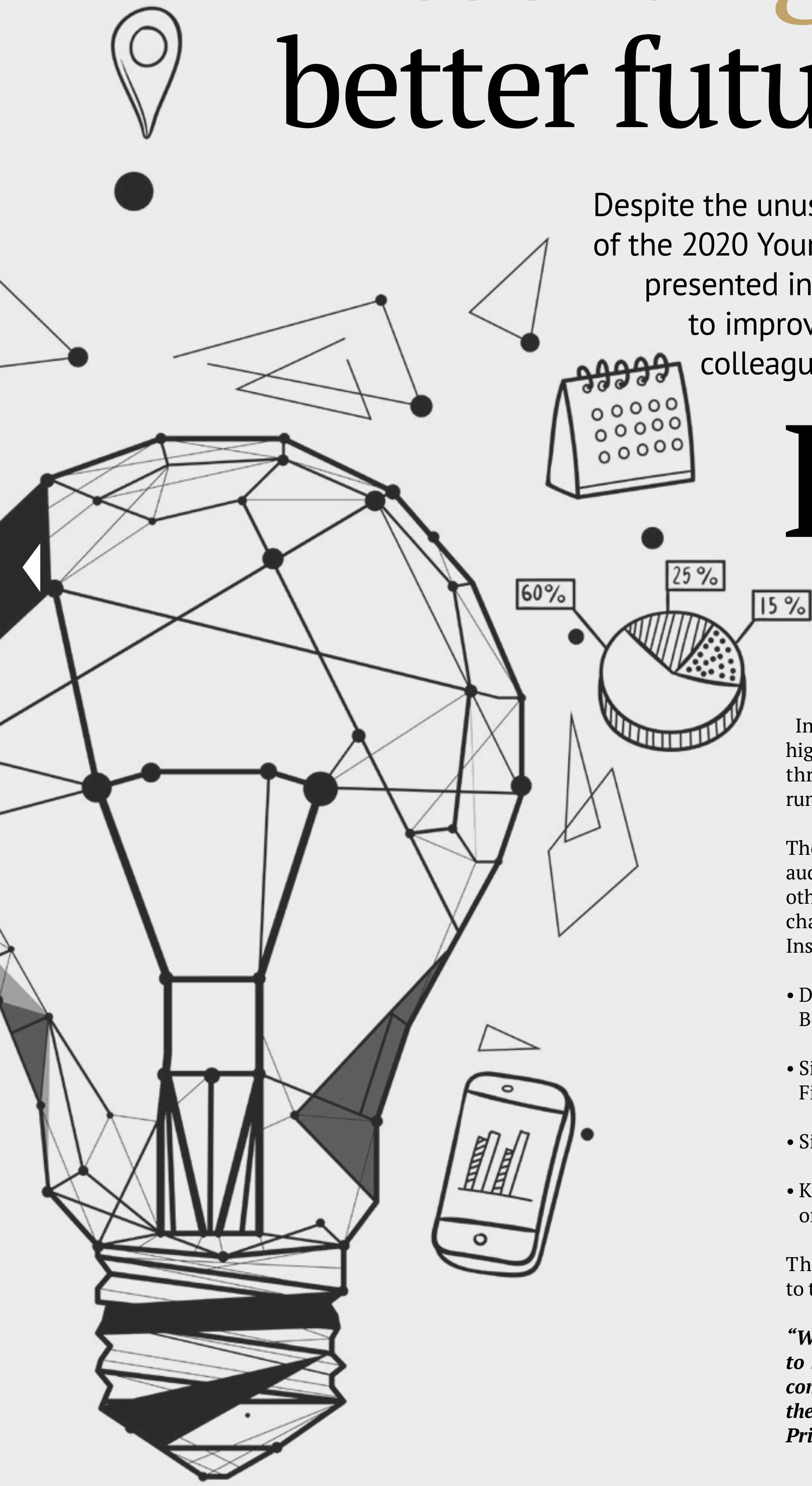
Leadership and management support is critical, she stresses. With meta skills such as the ability to lead and manage through change and drive forward adaptive learning throughout an organisation, cultural shifts can happen. And the importance of transparent and honest communication has been thrown into sharp focus during the pandemic where the ability to lead from the front, encourage flexibility and new ways of working in a period of massive uncertainty has been so crucial.

These types of skills are around being able to admit you don't know something, showing some vulnerability and demonstrating adaptability. Indeed, success is not just commercial, it also involves making an organisation future-proof and adaptable to whatever situation it finds itself in.

McLeod concludes: "The sector is changing rapidly and with that many roles will continue to change. Although technical knowledge and skills are still very much required, skills like creativity, critical thinking, resilience, empathy and agility are just as important. If we learn these types of skills, it doesn't really matter that we don't know what our roles will look like five or 10 years from now, or what technical skills we'll need to do our job. We'll be able to use our meta skills to learn whatever we need to in the future." CB

YOUNG BANKER OF THE YEAR

Presenting a better future



Despite the unusual circumstances, the finalists of the 2020 Young Banker of the Year competition presented innovative and visionary solutions to improve outcomes for customers, colleagues and communities.

In a year like no other, with events postponed or cancelled, the Institute decided to run its Young Banker of the Year competition virtually. Although not without its challenges, this provided an opportunity to showcase the ideas of a new generation of bankers and the contribution they offer to an industry that's played a key role in supporting individuals, businesses and communities through the pandemic.

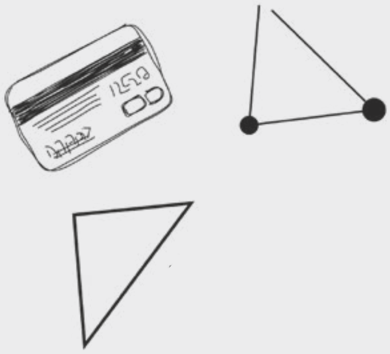
Speaking about the decision to go ahead, Simon Thompson, Chief Executive, Chartered Banker Institute says: "The enthusiasm of participants and the high calibre of responses and presentations we received throughout the process demonstrates the value of running the competition this year."

The final, held on 24 September, included an invited audience of regulators, representatives from banks and other industry organisations, as well as a judging panel chaired by Bill McCall, President, Chartered Banker Institute, which comprised:

- Dame Susan Rice, Chairman of the Banking Standards Board
- Simone Dettling, Banking Team Lead, UN Environment Finance Initiative, CCA Global
- Sir Roger Gifford, Chair, Green Finance Institute
- Karina Robinson, Master of the Worshipful Company of International Bankers.

The four finalists presented their response to the question:

"What idea would you implement in your organisation to improve outcomes for customers, colleagues, and communities? Your idea should reflect your vision for the future of the industry and be consistent with the UN Principles for Responsible Banking."



INTRODUCING THE 2020 YOUNG BANKER OF THE YEAR

TIPPIE MALGWI

After much deliberation, Tippie Malgwi, from Arbuthnot Latham & Co. was named as Young Banker of the Year 2020, for his idea of a financial solution for people living with serious injury and severe medical conditions.

Additionally, Malgwi was awarded the Audience Prize for the candidate who, in the opinion of the viewers, best personified the high professional standards expected of bankers through their presentation.

Simon Thompson, who awarded the Audience Prize, commented: "We may not have met in the Mansion House this year, but despite – or perhaps because of – the challenging circumstances our four Finalists all presented compelling visions for the future of our profession based on responsible banking principles. I enjoyed the variety of approaches: Charles and Matt focused on accelerating the uptake of green finance, Ana on promoting gender equality and Tippie on supporting a very vulnerable group of customers. All will, when implemented, make a significant difference to our customers and communities, and help banks and bankers demonstrate our positive social purpose.

"I had the great pleasure in presenting the Audience Prize to Tippie Malgwi and would like to join our judges in also congratulating him for becoming, the 2020 Chartered Banker Young Banker of the Year. All four finalists inspired with their ideas, enthusiasm and passion for banking, and give me enormous confidence in the future of our sector and profession."

Bill McCall, Chair, Chartered Banker Institute, added:

"We set all our entrants this year the challenge of generating new ideas that could drive innovation, deliver sustainable growth and reflect the ethos of prudent, professional, responsible banking that the UN Principles of Responsible Banking – and our Institute – stand for. These have never been more important for building back better lives, communities and businesses impacted by the Covid-19 pandemic.

"This great competition, which has been running for more than 30 years, continues to showcase – the best, the brightest, the most brilliant young people on whom the future of banking will be built.

"All four finalists presented inspiring ideas that show the future of banking is in safe hands. I would like to congratulate all of them and, in particular, Tippie, on becoming our 2020 Young Banker of the Year."

Speaking after the being awarded the Young Banker of the Year 2020 title, Malgwi, said: "I am delighted the judges have bought into my vision and selected me as winner of this prestigious competition. The principles for responsible banking aim to help the banking industry make a positive contribution to society. This is what I've set out to achieve with my proposal and I am positive that this will help further the conversation for offering focused banking solutions to this under-served segment and also highlight the wider societal benefits to be derived from serving this vulnerable sector. I'd like to thank the Chartered Banker Institute for giving me and the other contestants a platform to voice our ideas on how to improve the future of our industry."

YOUNG BANKER OF THE YEAR

We spoke to the four finalists about their experience and the inspiration behind their ideas in this unprecedented competition year.

THE FINALISTS

CHARLES COLLIS
Global Commercial Banking Strategy Graduate, HSBC

MATT JENNINGS
Associate Director, Commercial Growth and Acquisition Funding, AIB

TIPPIE MALGWI
Commercial Banker, Arbuthnot Latham & Co.

ANA XHEMALAJ
Business Manager, Barclays

Q. With many events cancelled or postponed this year, how important do you think it is that the Young Banker of the Year competition still went ahead and why?

"Arguably, it is more important this year than any other that the Young Banker of the Year competition went ahead," says Charles Collis, Global Commercial Banking Strategy Graduate, HSBC. "The role of financial institutions has been brought into the spotlight and subject to intense scrutiny. More consumers than ever have been looking to their financial provider for support and will continue to rely on the guidance and partnership of these same institutions as they begin to rebuild. It is in these scenarios that the ideas championed by the Young Banker of the Year competition are needed most, and where platforms such as that provided by the Chartered Banker Institute are required to champion sustainable growth, and improve outcomes for customers, colleagues and communities."

Ana Xhemalaj, Business Manager, Barclays, agrees: "The competition offers a unique platform to empower bankers to use finance innovation and cross-sector collaboration to make a real difference to pressing social issues captured by the 17 UN Sustainable Development Goals. This message has never been more important than today. The global health and economic crisis has amplified existing inequalities and challenges for already vulnerable communities, threatening all the progress made so far."

Q. How did you find the whole virtual experience?

"At first, the idea of the competition moving onto a virtual platform was daunting," says Matt Jennings, Associate Director, Commercial Growth and Acquisition Funding, AIB. "However, as the competition progressed, I became more confident in my ability to present virtually and less nervous that my laptop could go up in smoke mid-presentation! Working alongside the video production team to bring my proposal to life was a real highlight."

Tippie Malgwi, Commercial Banker, Arbuthnot Latham, saw the experience as a mirror of the wider changes across the industry. "Banking, and how we offer services to our clients, has had to adapt to the 'new normal' and I'm pleased that the Institute has tapped into this zeitgeist and evolved its proposition by continuing with its flagship seminars and events via a virtual experience. It is a testament to the Institute's perseverance, and serves as an inspiration to its members, that we, as a sector, are open to change."

Q. What was your idea and the inspiration behind it?

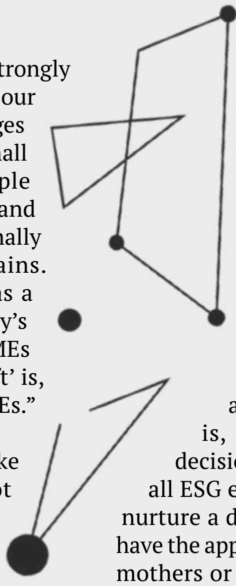
"My Albanian heritage has definitely shaped and fuelled my commitment to use my voice, my network and the platform at my disposal to contribute to gender equality strides," says Xhemalaj. "My proposal is a Gender Linked Lending Framework, enabling financial institutions to facilitate and incentivise financing with purpose, specifically to enhance gender equity. My ultimate vision is to make gender equality a strategic, value-driven decision enabling companies to build resilient businesses, rely on sustainable and equitable supply chains and create a positive, long-lasting legacy in the communities they touch."

Jennings says: "My proposal has been built around the idea that we can have a sustainable banking system that delivers economic growth while actively reducing our impact on the environment. Key initiatives would see the transformation of redundant outside office space into green sites that promote biodiversity and support local ecosystems in urban areas. These settings could then be used to educate and inform customers

"All four finalists inspired with their ideas, enthusiasm and passion for banking, and give me enormous confidence in the future of our sector and profession."
Simon Thompson, Chartered Banker Institute

and communities about the role that green funding can play in supporting their green projects. Indoor office space would also be turned into modern green working environments by incorporating natural elements and plant life into the design and partnering with responsible suppliers to create a framework to facilitate green ways of working."

Personal experience underpins Collis' idea. "I strongly believe that we have an obligation to support our customers in dealing with the financial challenges facing them, and I saw that providing SMEs [small and medium-sized enterprises] with a simple way to obtain an ESG [environmental, social and governance] score is a perfect way for me personally to champion this responsibility," he explains. "Despite increasing interest in ESG scores as a means to signal the sustainability of a company's business practices, my research found that SMEs are incredibly underserved in this space. 'Shift' is, in its simplest form, an ESG-scoring app for SMEs."



Meanwhile, Malgwi is driven by a desire to make a positive contribution to society. "It is not often that we, as bankers, get an opportunity to impact on life-changing circumstances, but presenting my idea has provided an opportunity to further the discussion. The Serious Injury Life Care account, or SILC, is a banking solution for people living with serious injury or severe medical conditions under the Court of Protection umbrella. It seeks to offer targeted solutions for the protected person, the deputy, any carers or close family members, with additional tools for long-term financial planning to aid their quality of life. As a trustee for Disabled Living, a Manchester-based charity that provides advice about products and services for people living with disabilities, I have seen first-hand the importance of practical solutions for people in this space."

Q. What opportunities does the industry now have to help build a more sustainable future post-COVID?

"We have an opportunity to collectively design and build a better future together," says Jennings. "The banking industry must play a central role in this process and I believe that we have a strong social licence to operate and communicate in this space. After all, we are uniquely placed to work collaboratively with our customers and local communities to support green projects that reflect this shared vision of a sustainable future."

Collis agrees: "It is vital that we remain champions of sustainable growth, ensuring that all of our customers have access to the products and services necessary to support them in their own transition. There is a need to be agile, to innovate quickly, and provide data-driven insights that lead to actionable outcomes for our customers."

Both Xhemalaj and Malgwi believe that it is an opportunity to improve outcomes across society. "Being a sustainable business is, at its core, about the choices and the decisions that are made every single day across all ESG elements," says Xhemalaj. "Do businesses nurture a diverse and inclusive workforce? Do they have the appropriate programmes to support returning mothers or fathers after a break? Are they cautious about the amount of paper printing that they are doing? Are they responding to the crisis by taking account of its different impact on women versus men or on people of colour as opposed to white people? And so on."

Malgwi describes how responsibility to seize opportunity from crisis falls on both the industry and the individual. "COVID-19 has laid bare the fact that certain sectors of society are more vulnerable than others, and this needs to be made right. The etymology of the word 'sustainable' derives from 'to level up' and 'to support'. It is imperative that we, as bankers, seek out new and innovative ways to improve society using our individual skill sets."

With so much passion and insight into how bankers and the industry can support society to emerge from the pandemic in a more resilient and sustainable way, this year's finalists demonstrate that the future of the banking industry is in safe hands. CB

INSTITUTE ADVOCATES

Looking into the crystal ball

Lauren Fuller and Luke Norton, both part of the Institute's Membership Forum, discuss digital developments and the future banker's skill set.

Launched in 2019, the Membership Forum meets meet twice a year to provide input and help shape the future of the Chartered Banker Institute. Luke Norton, a Relationship Manager at Santander Corporate and Commercial Banking, is one of the Forum's inaugural members. As Norton explains, the Forum is a select group of Institute members with diverse backgrounds and experience who advise Trustees as to what the Institute could be doing more of, or differently, to help improve the ways in which it supports its members.

"Given the current climate, where all aspects of our daily lives have changed so rapidly, it's more important than ever that the Institute listens to its members about what they expect of it," he says. "The Membership Forum gives members a voice that is heard by the Trustees, who actively show an interest in trying to continuously improve members' experience."

This includes helping to shape the initiatives that will assist bankers develop the skills they need moving into the future. Another member of the Forum is Lauren Fuller, Customer Journey Developer at NatWest, whose banking career began in 2015. After gaining her Chartered Banker Certificate and CeMAP certificate, Fuller was a finalist in the Institute's 2019 Young Banker of the Year competition.

"The Forum is a great opportunity to come together and talk about the impact the Institute has on the industry and wider society, and explore what we can do to further new initiatives and training courses," she says. "The Institute is taking on board these changes and suggestions, so it's great to see that in action, and to help shape qualifications so that they're tailored towards that future banker."

Fuller says a key focus of the Forum is on "the things we need to bank in the future" – so how do Norton and Fuller see the industry evolving? Digital developments are, of course, a major theme. With technology creating efficiencies within people's daily lives, and providing unprecedented access to information, "customers are increasingly expecting the same from their banks – expecting to check statements, make payments or make service requests whenever they want," says Norton.

With a number of recent start-ups leveraging this rapid shift in customer behaviour, he says, "banks are now starting to completely transform their infrastructure to survive in the new digital era, and to give themselves the ability to adapt easily to further changes that might be around the corner".

Fuller, likewise, sees the emergence of FinTech-type banks as a major change – although she notes that people continue to be attached to their core high street banks. "I think there is still a need for branches," she says. However, Fuller also believes community banking type models will play a greater role in the future, citing the Business Banking Hub piloted by NatWest, Lloyds and Barclays last year, enabling business customers to use a shared facility for their transactions.

> **"Telling people to go online and do it themselves isn't always the right thing to do."**
>
> Lauren Fuller, NatWest

Fuller also discusses the role of mobile phones in banking, and how this will evolve in the future. "It won't be as simple as seeing what is in your current account – it will be about making investments, understanding your pension, applying for mortgages," she says. "COVID-19 has sped up a lot of development in this area."

Technologies to watch

Where specific technologies are concerned, Norton argues that, looking ahead, Open Banking is the most significant innovation. "The capability for Open Banking would allow for banks to access financial information on any customer," he says. "With further technological developments, customers could be auto-approved for facilities before they even ask for them. They could be advised on where is best to maximise on savings, and whether they could benefit from restructuring/repaying any debt."

In the area of mortgages, meanwhile, Fuller says blockchain offers some interesting benefits in terms of speeding up the application process. "At the moment, it sometimes only takes a couple of days to get a mortgage from application to offer – but to get from having your mortgage offer to moving into your house is such a siloed process that includes working with solicitors and all the other third parties," she says. "The idea of blockchain is that it will remove the barriers by making it a lot quicker and more seamless. So in the mortgage space, blockchain is going to be the big disruptor over the next few years."

More broadly, while the underlying need for financial services will remain the same, Norton predicts how the financial industry will look in the future is a very different matter. "I expect that further developments in AI [artificial intelligence] and data analysis will be key for players in the financial services industry to keep up with technological developments happening all around us," he says. "It's those that can keep up, and quickly respond to changes, that will succeed."

Skill sets for the future

As the world continues to evolve, it's clear that the banker of the future will need to develop additional skills. Consequently, ensuring that bankers have the skills, training and qualifications they need is an important goal for the Institute's Membership Forum, notes Fuller.

As Norton points out, most of the skills that bankers possess today will still be relevant. "This year we have been through one of the most significant, and quickest, changes to our daily lives that most people will ever be able to recall," he comments. "It has only been by staying close to our customers and listening to their needs that we have been able to support so many of them through this pandemic."

That's not to say nothing will change. Fuller emphasises the importance of embracing human-centred design, "so [that includes] how to design products and services from a customer perspective, and thinking about all the diverse customers that we need to cater for". In particular, Fuller cites the importance of understanding the disparity between men and women where financial behaviour is concerned, and designing products with a diverse client base in mind.

> **"Given the current climate… it's more important than ever that the Institute listens to its members."**
>
> Luke Norton, Santander

"The other issue is risk and governance," she says. "At the moment, governance is very paper-based, but there's going to be a huge shift. It comes down to having digital awareness and thinking about the technology we use and the risks involved. There are a lot of new skills that we're going to have to develop that we probably haven't had to think about before."

Navigating the challenges

It's clear that developments in technology can bring challenges as well as benefits, both for banks and for their customers. Fuller continues: "As we move into digital, we can't just assume that people will know how to do things, which is a danger if we move towards a more self-service, non-advice type journey. For me, the biggest concern would be the way we communicate digital to our customers – we want them to understand what we're doing with their money, and what they can do with their money. Telling people to go online and do it themselves isn't always the right thing to do."

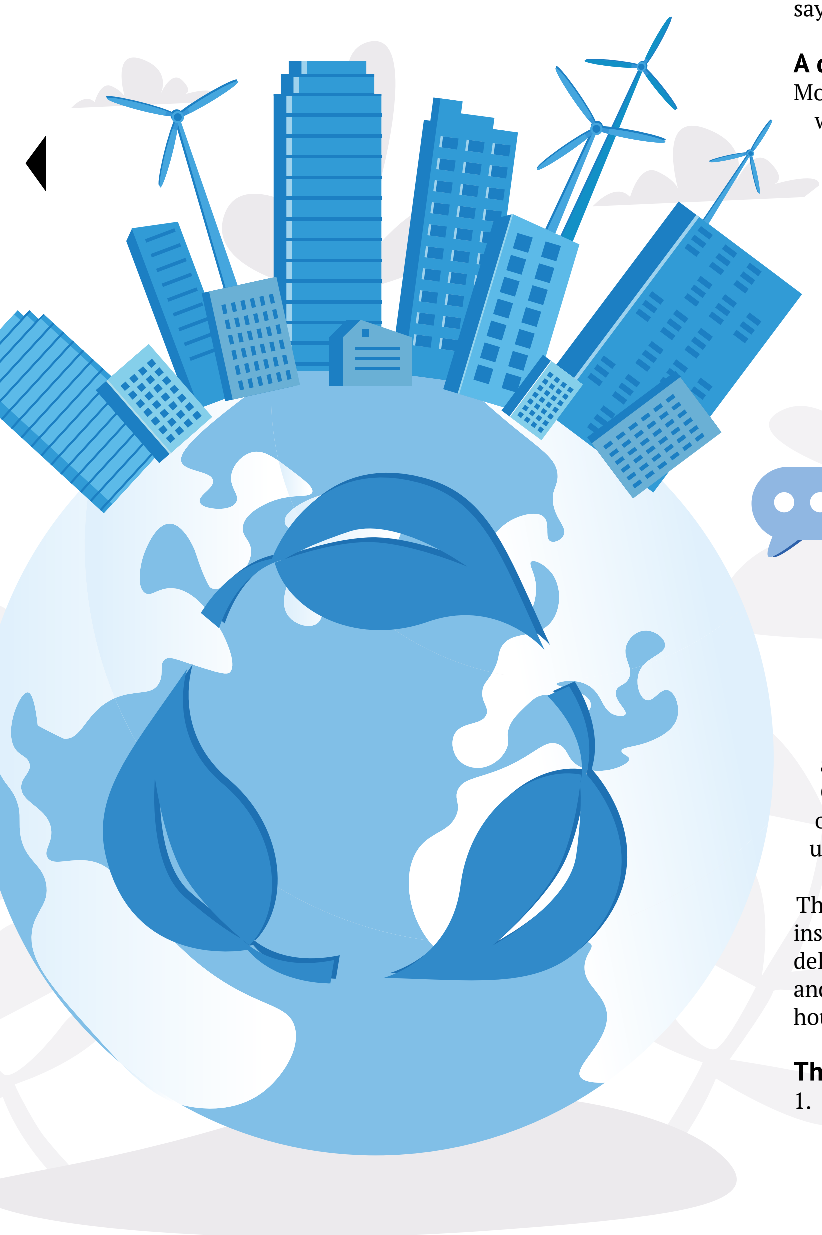
Last but not least, as technology continues to be a catalyst for change for both bankers and their customers, Norton says that maintaining and developing a professional ethos is more important than ever – and indeed, enhancing professionalism is one of the primary aims of the Institute. "Banks have the opportunity to utilise new technologies to improve the customer experience and instil the trust that banks are still trying to rebuild from the last recession," he concludes. "This remains the responsibility of everyone within the banking/financial services industry." CB

If you would like to contribute your views as an Institute Advocate, please contact Matthew Ball, Head of Public Affairs, Policy & Communications, Chartered Banker Institute, at matthew.ball@charteredbanker.com

SUSTAINABLE FINANCE

Making green mainstream

By continuing to update its Certificate in Green and Sustainable Finance, the Institute aims to place sustainability at the heart of finance and support the transition to a low-carbon world.



Systemic change is required if the world is to meet its sustainability targets. Climate momentum has significantly increased in recent months, but how can the finance industry ensure that it plays a pivotal role?

"There is a big drive not only from the bottom up, with the general public and employees calling for positive change, but also from the boardroom as multinational organisations look to effect that change," says Simon Thompson, Chief Executive, Chartered Banker Institute.

A degree of concern

Most people know the central aim of the 2015 Paris Agreement, which is to keep the global temperature rise this century to well below 2˚C above pre-industrial levels – and to pursue efforts to limit the temperature increase even further to 1.5˚C, he believes. But additionally, the agreement aims to strengthen the ability of countries to deal with the impacts of climate change.

As the agreement observes, putting appropriate financial flows in place will be critical in reaching these ambitious goals. "This will only happen if finance itself changes in terms of what it invests in and how it behaves as an industry," Thompson stresses.

When it was launched in 2018, the Institute's Green Finance Certificate™ was the first global, benchmark qualification for the growing green finance sector. As green and sustainable finance continues to develop, it is vital that banking professionals can keep up to date with the latest knowledge and understanding in this area.

"Within the financial sector, our recently updated certificate will add valuable knowledge and insight at a time when green and sustainable is moving into the mainstream as an industry and business-wide horizontal. Now named the Certificate in Green and Sustainable Finance, the qualification will boost career opportunities and demonstrate that an individual has a robust understanding of both theory and practice," Thompson explains.

The updated certificate is available to all those in the banking, insurance and investment industries. It comprises 12 modules and is delivered through e-learning, self-study and sections on reflection and reminders. The final exam is remotely invigilated and takes an hour to complete.

There are five key outcomes:

1. To understand what is meant by and understand the science of climate change and know how the finance sector can positively support a transition to carbon neutral.

2. To have knowledge of the regulator frameworks and understand the importance of being able to measure and monitor progression.

3. To understand the nature and importance of climate risk and see how financial institutions can have a positive impact on the natural world.

4. To understand and know how the financial world can develop green and sustainable financial investment products.

5. To understand the role of FinTech in bringing new and innovative techniques that can have a positive impact and to understand where they fit in with the regulators, policymakers and the ecosystem in general to support mainstreaming.

The certificate is also available to partners of the Institute: the Chartered Institute for Securities & Investment (CISI), industry body UK Finance, counterparts in Australia and Portugal, among others, as well as receiving accreditation from the Institute of Banking and Finance in Singapore. There is also an option for financial institutions to have an enterprise licence to introduce the certificate across their businesses.

Keeping the momentum

The aim is that instead of green and sustainable issues being a specific role, they will become a mainstream concern and applicable horizontally across an entire institution, via good general knowledge and understanding of the issues as well as how to apply mitigation techniques.

But this is far from being the only initiative. In June, the UK government, the Green Finance Institute, and 12 leading financial professional bodies, including the Chartered Banker Institute, launched the first Green Finance Education Charter. This is a significant commitment from chartered and professional bodies in the UK and internationally to integrate green finance and sustainability into their core curricula, new qualifications, and the continued professional development (CPD) of their members.

Continued momentum is key. "At the beginning of the year there was a lot of momentum with Greta Thunberg and David Attenborough constantly in the headlines – it was top of the news agenda," recalls Thompson. "In addition, there were lots of systemic changes coming from multinational organisations. COVID-19 has temporarily taken centre stage, but we expect to see continued momentum and change going forward."

Behaving sustainably

The approach within the industry will need to be twofold: greening finance and financing green, continues Thompson. These two elements describe the way in which the industry itself needs to become more aware of the actions that can be taken as well as the way in which it needs to finance green and sustainable projects.

There is a strong and growing case to operate and invest sustainably and the aim is that the finance industry should be able to mainstream both elements. There is a great deal of work to do to make the industry operate and behave more sustainably. On the investment and finance side, there is a vast opportunity for environmental social and governance (ESG) overlays to become standard, no matter what type or size of investment.

"Climate momentum has significantly increased in recent months, but how can the finance industry ensure that it plays a pivotal role?"

In addition, issuance of green and sustainable bonds rose globally to US$230bn last year with a much broader range of issuers. Retail and institutional investments had 25% of their assets under management (AUM) categorised as ESG investment. On the retail front there are many greener, mainstay products such as loans and mortgages.

Thompson continues: "Financing green is what most people think about when it comes to the role of green and sustainable moves within the financing world. On its simplest level, this is how we support businesses that have at their core green or sustainable initiatives or how we support business to move to sustainable operating models. It's investing in companies and initiatives to support this. This includes big fossil fuel firms that are greening their business."

A culture of change

"Greening finance, meanwhile, looks to what we can do within our own industry and how we can drive our sector forward to be green and sustainable and what that strategy should look like."

On a day-to-day basis it is activities such as fund managers adopting ESG overlays and seeing commercial advisers help companies move to a greener operational model. This could be especially important in the context of small and medium-sized enterprises (SMEs) where helping to remove climate risk could result in a lower cost of borrowing and thus service to support that SME's development.

However, to do this it is simply not enough to tinker round the edges. Change must be led from the top, says Thompson, as well as coming from the bottom up to extend to every individual within the finance industry.

"This involves a culture of change. The good news is that some UK banking leaders already have a strong internal focus on this and have made climate change a strategic priority for their business," he says.

Thompson believes green action will again increase as we come out of the crisis and he expects to see the direction of travel and the means to get there more clearly identified at next year's COP26 in Glasgow.

"In the meantime, the updated certificate will drive increased momentum within the industry and serves as a sign of strategic support to make green and sustainable operations an everyday practice," he concludes. CB

PROFESSIONAL FINANCIAL ADVICE

Is a remote future in sight?

Financial advisers are well aware of the need to cultivate personal relationships with their clients and traditionally this has been achieved by face-to-face contact. Here, three industry professionals discuss how remote communication during the crisis boosted efficiency, yet underlined the continuing need for the human touch.

Like so many professionals, financial advisers have adapted quickly to remote working practices during the coronavirus pandemic. But will these new ways of working have a lasting impact for the profession? How much importance do clients place on face-to-face contact and what is the business case for maintaining it?

"Broadly, we think that where we have an established relationship with our clients then the change to remote working has not been too difficult," says Edward Grant, Director Technical Connection, St James's Place. "But we do need to be mindful of the client's comfort levels with technology and work to suit their preferences. Generally, we have received positive feedback."

The devil's in the detail

The firm has been taking advantage of the technology available and that has served as a massive enabler, explains Grant. "We are using Microsoft Teams, Zoom and other technology such as DocuSign. As a result, 48% of forms for signing are now being returned within an hour and 76% within a day. The technology enables things to be done quickly and efficiently and that gives momentum to the client and helps provide a better service. Two-thirds of our clients feel very positively about using video calls," he says.

But Danny Cox, Head of Communications, Hargreaves Lansdown, believes that remote working, although imperative currently, does have its limitations.

"The value of face to face is as much about what is said as what is not said," he stresses.

"Remote meetings work well for simpler transactional conversations, but the devil with advice and planning is always in the detail. The conversations that go beyond simple transacting, when we are looking at detailed planning or how one area of planning interfaces with another, for example, really benefit from a face-to-face meeting," Cox believes.

Indeed, the value of a good adviser is all around being able to engage the client and then demonstrate value to the client on an ongoing basis. The advice given out is an accumulation of many components and being able draw together those various elements while also knowing that the client understands the advice being offered is harder to carry out remotely.

"Even if it is a single meeting followed up by Skype, the body language and the level of engagement is not the same. With financial planning, it's about a deep dive to find out and understand the role finance plays in someone's life, what their goals are, how much risk they are prepared to take; all these elements are so reliant on more than just words," Cox says.

New relationships

This is all the more important when it comes to new relationships – where a connection between the client and the adviser is key.

Grant believes a face-to-face meeting still works best here: "With new clients, it is much harder to establish a connection and understand their complex needs without meeting in person."

This is a salient point as government and businesses work together to support individuals' personal finances. Since 2018 all those eligible have been automatically enrolled in a workplace pension. Additionally, the Help to Save scheme encourages low-income earners claiming universal credit or working tax credits to save. It pays a 50% bonus on the amount saved, up to a maximum bonus of £1,200 over four years.

Ian Woodhouse, Head of Strategy and Change, Orbium, comments: "People today are becoming much more engaged in their own financial well-being. This has been forced by a change in pension provision to a model that is funds based and where people have to take ownership of their pensions."

Indeed COVID-19 has brought these issues into sharp focus with some people experiencing fresh concern about their pensions and healthcare. Many have been forced into early retirement and have to consider the decumulation phase as much as the accumulation phase of their pension plan.

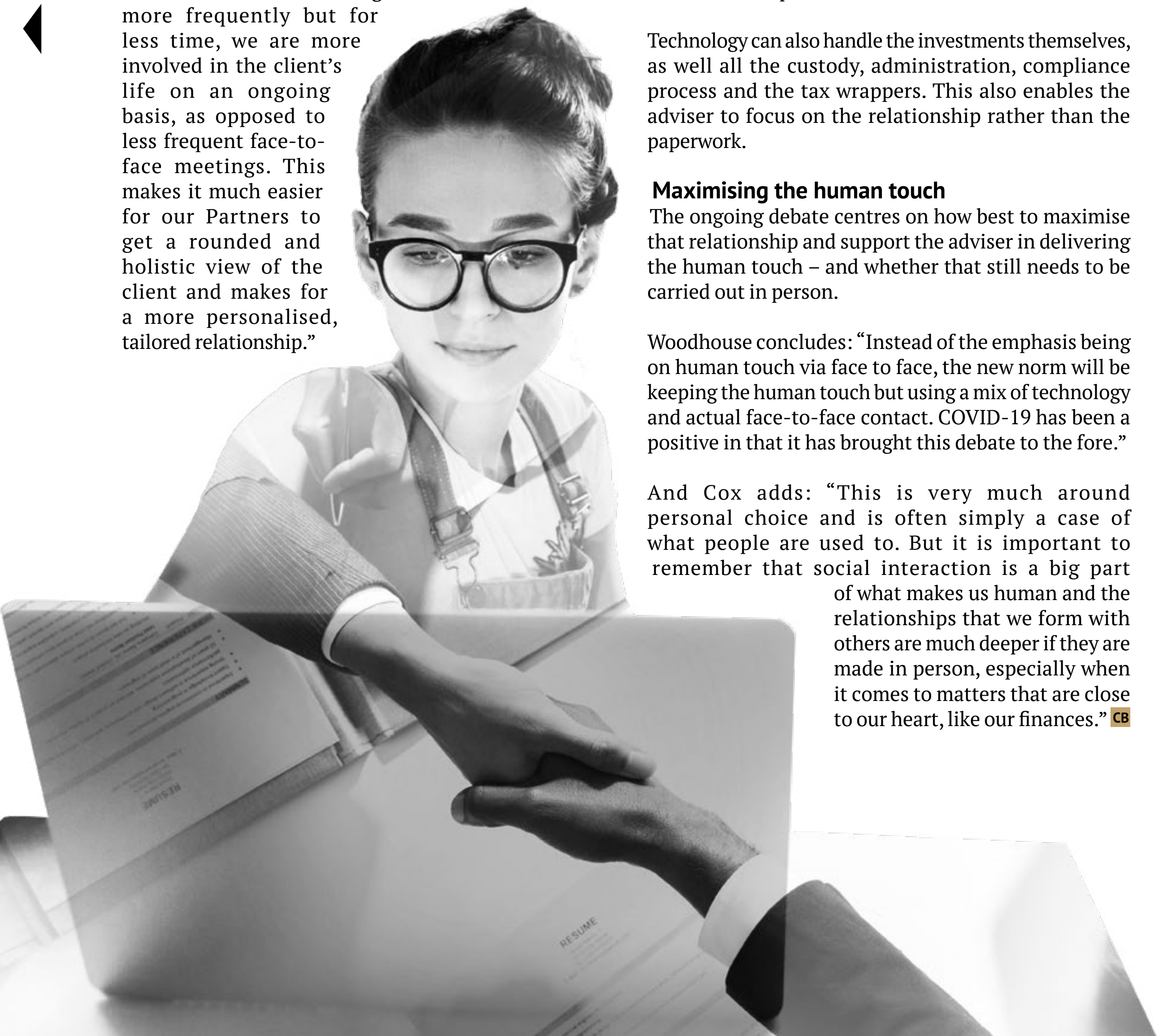
"The Financial Conduct Authority has also looked to act and brought about changes making sure that customers are protected and that they receive value for money," says Woodhouse.

Technology triumphs

But being able to service such customers without heavy reliance on face-to-face meetings is an efficient use of time. So, while an initial financial planning meeting might be a good idea, follow-up meetings over digital channels or using secure messaging could be a better service model for both client and adviser.

Grant comments: "One significant change we have noticed is that our Partners are having more meetings, but that they are shorter and more impactful. They have more time because they are not travelling in between meetings and the meetings themselves are shorter as, generally, people don't like long video calls. What we are now seeing is that we're doing all the admin more quickly and able to see maybe four clients a day. In that sense, remote working can be real enabler."

Grant says his company has also noticed another major benefit: "Because we are connecting more frequently but for less time, we are more involved in the client's life on an ongoing basis, as opposed to less frequent face-to-face meetings. This makes it much easier for our Partners to get a rounded and holistic view of the client and makes for a more personalised, tailored relationship."



"The new norm will be keeping the human touch but using a mix of technology and actual face-to-face contact."

Ian Woodhouse, Orbium

Indeed, technology has been key to the success of remote working during lockdown and has ensured that clients have not been left out in the cold.

Woodhouse continues: "The technology to support the provision of advice, to add value and to stay compliant when it comes to risk profiling and suitability is there and has been brought into the spotlight by COVID-19. It frees up the adviser, they can discuss goals and suitability remotely, but the conversation is still betwen humans. Technology provides the framework of questions and prompts to the adviser to find out about risk appetite, assets, liabilities, goals and the like, as well as staying within the compliance boundaries."

Technology can also handle the investments themselves, as well all the custody, administration, compliance process and the tax wrappers. This also enables the adviser to focus on the relationship rather than the paperwork.

Maximising the human touch

The ongoing debate centres on how best to maximise that relationship and support the adviser in delivering the human touch – and whether that still needs to be carried out in person.

Woodhouse concludes: "Instead of the emphasis being on human touch via face to face, the new norm will be keeping the human touch but using a mix of technology and actual face-to-face contact. COVID-19 has been a positive in that it has brought this debate to the fore."

And Cox adds: "This is very much around personal choice and is often simply a case of what people are used to. But it is important to remember that social interaction is a big part of what makes us human and the relationships that we form with others are much deeper if they are made in person, especially when it comes to matters that are close to our heart, like our finances." CB

BANGOR BUSINESS SCHOOL

A decade of growth

At a time of such significant and substantial change, ensuring professionalism and ethical practices are at the top of the agenda is more important than ever, says Chartered Banker MBA Programme Director, Professor John Ashton.

In 2011 Bangor University, in partnership with the Chartered Banker Institute, launched the Chartered Banker MBA (CBMBA). At the time, following the 2008 financial crisis, trust in banking and the financial services industry was at an all-time low. Bankers were more often viewed as a societal problem than professionals – their behaviour contrary to the public interest and a contributing factor in the need for public bailouts. These concerns acted as a spur in developing the CBMBA programme.

Working with the Chartered Banker Institute, Bangor University recognised that many forces had led to this negative perception of banking. While banking and bankers had been a highly qualified and Chartered profession for well over a century, this shifted in many nations during the 1990s and 2000s.

Untrustworthy and unethical?

During this period, banking became an occupation in which industry qualifications were unusual, particularly among those in the upper echelons. Other business functions had been moving into positions of authority within banks for many years and applying their distinct professional values of maximising sales, chasing financial growth and pursuing other metrics. In some cases, to the exclusion of the more traditional values of the banking profession.

This arguably contributed to an array of adverse outcomes – including the perception that that bankers were untrustworthy and even unethical in many of their activities. The traditional values of responsible risk management, prudential credit and lending decision-making, compliance with regulations and treating customers fairly, championed by the banking professions, had been overlooked in the quest for ever higher sales and short-term financial returns.

Re-professionalising banking

The CBMA was established to re-professionalise banking, to place the study of banking and a wider appreciation of core professional values at the heart of what it was to be a banker. In 2011, when this qualification was launched, we had the ambitious aim of affecting change to this status quo. We sought to introduce and disseminate a robust qualification based on embedding these values of prudential risk taking, knowledge of and respect for regulation and encourage reflection upon and application of ethical business practice.

"We want to help bankers develop their careers cognisant of the ethical and professional needs of this most critical and important industry."

The past decade has brought many changes, but the CBMBA has gone from strength to strength. Starting with just 17 students, recruitment to the programme has flourished, with particularly strong enrolment internationally, from the Caribbean and West Africa, as well as the UK, North America and the Middle East.

We soon discovered the wider goal of providing a qualification focused on enhancing the professional values of banking appealed to both an international audience and professionals beyond retail, commercial and investment banking. We saw the influx of students from other fields of finance, as well as financial regulators wishing to gain from the programme. To date, the programme has recruited students from 73 different nations spanning six continents with more than 1,000 active students and graduates from the programme. By 2016 the programme was recorded as the fourth largest executive MBA programme in the UK (*Sunday Times* 2017).

Throughout this decade, we have worked with many national banking institutes, financial regulators and other institutions, developing partnership arrangements in the Bahamas, Bahrain, Botswana, Jamaica, Pakistan and Trinidad and Tobago. Of note, we have developed especially important links with the Chartered Institute of Bankers of Nigeria, which awards an Associate Membership for eligible graduates of the programme. We are also grateful for the successful connections with the Nigeria Deposit Insurance Corporation, which has assisted with the evolution of the programme to include content of interest and importance to both bankers and banking regulators. These links with banking institutes and regulators internationally have been central to our success and led to a wider and expanding engagement with the World Conference of Banking Institutes and the Caribbean Association of Banks.

A decade of change

As a result of the 2008 financial crisis there has been an explosion of new and amended regulation applying to financial industries – and particularly banking. Much of this initially focused on addressing prudential concerns, limiting the propensity for another crisis and to enhance existing protections for retail customers within financial services markets.

With time, wider macro developments in technology have resulted in considerable changes to the distribution and even practice of banking and financial services. This FinTech revolution has both shaken and repositioned the provision of many banking services and displays how the dissemination of a wider technological revolution has been adopted and incorporated by the banking industry. Lastly, we currently face a new catastrophe: the COVID-19 pandemic. This situation has laid bare the critical role played by banking and the financial industries in sustaining economic and commercial activity. We are currently observing how banking is working with both industry and government in alleviating the worst aspects of this crisis, with banks acting as a lynchpin in providing and coordinating liquidity to the wider economy.

While it is always challenging to imagine the future needs of an industry, and particularly one as critical as banking, we are continuously refreshing existing modules and introducing new fields of study to reflect these changes. We want to help bankers develop their careers cognisant of the ethical and professional needs of this most critical and important industry.

Areas of future attention and development include FinTech, financial crime and anti-money laundering and ensuring the future sustainability of finance. We are also developing and providing continuing professional development to our existing graduates whom we hope to support throughout their careers.

We look forward to another decade for the Chartered Banker MBA, of working with the Chartered Banker Institute and other critical partners and providing challenging and robust qualifications to engender further professionalisation of the banking industry.

"Since its launch in 2010, the Chartered Banker MBA has helped nearly 1,000 senior banking professionals from a wide range of countries and backgrounds develop and demonstrate their banking, leadership and strategy skills. Congratulations to our successful alumni, good luck to our current students, and I look forward to continuing to develop the Chartered Banker MBA and associated programmes with our colleagues and partners at Bangor over the next decade and beyond."
Simon Thompson, Chief Executive, Chartered Banker Institute

"It is sometimes difficult not to resort to cliché when talking about the Chartered Banker MBA. I knew of it before my arrival in Bangor early this year – and everything I have seen since then confirms what I'd heard of its reputation. Comprising relevant, challenging content, delivered by a first-class team of academic and professional staff, supporting one of the most engaging, and committed, student bodies I have encountered. For me, the true strength of the Chartered Banker MBA rests on the underlying partnerships. Between the team at Bangor and the Chartered Banker Institute, between staff and participants, and increasingly between alumni of the programme and the broader Business School community. I congratulate everyone involved on this 10-year anniversary. Here's to the next decade!"
Alison Wride, Head of Bangor Business School

BANGOR BUSINESS SCHOOL

Graduate profiles

As the Chartered Banker MBA celebrates its 10th anniversary, we ask three graduates to reflect on their experience and explain how it has influenced their careers.

Rafiat Onitiri
Founder and Chief Executive Officer,
Athrol Empowerment Solutions.

Tanya Cecile McCartney
CEO and Executive Director,
Bahamas Financial Services Board.

Ian Hardcastle
Chief Operating Officer,
Real Life Options.

What made you want to study for the CBMBA?

RAFIAT ONITIRI
The zeal to expand my knowledge base, stay relevant and get to the pinnacle of my profession. The prestige of Bangor University and the opportunity to graduate with a triple award: MBA Bangor, ACIB (Nigeria) and MCIB (Scotland), made the decision easy.

TANYA CECILE MCCARTNEY
I am a trained barrister, but was the Managing Director of the subsidiary of a major Canadian financial institute with almost USD$1bn under management when I enrolled. I wanted a banking qualification and professional designation to support my years of practical experience in financial services.

IAN HARDCASTLE
I decided to invest time in studying for an MBA programme to broaden my strategic thinking and demonstrate a commitment to developing my skills and knowledge to prepare me for more senior roles within banking or other sectors. The CBMBA programme offered a wide range of interesting and relevant modules and enabled me to tailor my studies to both my development needs and areas of genuine interest.

What was the most important thing you learned or accomplished while studying for the qualification? How has this helped you in your career?

RAFIAT ONITIRI
Wow! What a marked difference 18 months can make in the career and life of a man. The knowledge and experience garnered on the programme is valuable and immeasurable. The most important is having a greater depth of knowledge in almost all areas of operations of banking, the application of which has greatly inspired me and is currently assisting me in the micro lending space.

TANYA CECILE MCCARTNEY
I was able to marry on-the-job training with the theory and principles underpinning banking and financial services. I guess I was able to answer the "why?" behind banking operations, especially as it relates to banking regulation.

IAN HARDCASTLE
As an HR professional, the programme helped to develop my strategic breadth and enabled me to build my skills and knowledge in key areas including strategy, corporate finance, financial crises and regulation. This broadening of knowledge and insight enabled me to move into more senior roles within banking as I was able to influence both people and business strategy at a senior level.

What were the benefits of the blended learning programme? Did you experience any challenges?

RAFIAT ONITIRI
The blended learning approach was convenient, flexible, affordable and enabled me to participate in the programme while continuing with my job. The challenges were keeping up with the lectures and deadlines, as well as technological issues such as internet network problems.

TANYA CECILE MCCARTNEY
The blended learning programme was ideal for me as an executive. The mode of delivery makes the programme accessible; I utilised the virtual learning platform, but also logged into the live instruction when I was able. Further, I took the opportunity to travel to Bangor for the review classes and to sit exams. This was such a great experience as I was able to expand my global network while benefiting from face-to-face learning.

IAN HARDCASTLE
As a busy professional, time is a precious resource and a blended learning journey worked perfectly, enabling me to flex my schedule and take advantage of unexpected time. The programme was challenging, but the outcomes are clear and support is always available from the portal or tutor when working on assignments and preparing for exams.

PERSONAL DEVELOPMENT

The ethics of corporate gifting

A box of chocolates, an expensive dinner – even use of a villa in Majorca – might be considered perks of the job. But, asks Bob Souster, at what point do gifts from a supplier become a problem ethically?

The scenario

Jack is the Training and Development Manager at a medium-sized bank. He is responsible for the full range of training activities including identifying needs, developing training solutions and delivering them. Most of the training requirements of the bank's 800 employees are met by courses and workshops designed and delivered internally by Jack's team, but he occasionally engages external training companies to provide additional support.

Five years ago, Jack was introduced to Stephen, a self-employed training consultant who worked from home. Stephen had previously been employed in the banking industry and since leaving had established himself as a successful trainer, specialising in customer and point of sale interactive skills. Jack decided to engage Stephen to run three staff workshops and these were well received. After these early successes, Jack engaged Stephen to run further workshops on an occasional, but not regular, basis.

In 2019, Jack was asked by his General Manager to develop a 'Customer First' initiative for all staff in in customer service roles. The scheme would be developed for 450 staff and rolled out during the year. Jack invited Stephen to design the programme and, following a presentation to senior management, he was awarded the contract to deliver it.

Stephen's training course was a great success. Feedback from those who attended was invariably positive. The bank published details of the initiative in its newsletter, and some customers even took the trouble to write to the bank to acknowledge the improved quality of service.

At a review meeting, Jack thanked Stephen for his efforts. In turn, Stephen remarked that he always enjoyed working with the bank and hoped there would be further opportunities.

Since the earliest collaborations between Stephen and Jack's bank, Stephen had made a special point of sending Jack a small gift at Christmas, as a gesture of thanks. These gifts were typically a bottle of wine, a box of chocolates or similar. Jack saw nothing unusual in the practice of seasonal giving, as he often received gifts from training providers.

At the end of 2019, following the last course of the 'Customer First' programme, Stephen invited Jack for a business lunch. After the meal, Stephen gave Jack a Christmas gift, which was a festive hamper. As they chatted informally over coffee, Stephen suggested that, if Jack were interested, he and his family would be very welcome to use his villa in Majorca. Stephen added that that his villa was convenient for access to the airport, shops and beaches, and that Jack would only need to pay for his family's flights.

Jack thanked Stephen for the lunch and the gifts, adding that he appreciated the offer of the use of the Majorcan villa.

What are the ethical implications of Stephen's gifts to Jack? By working through this scenario and developing your own solution before reading the author's analysis on the next page, you may claim up to one hour towards the professionalism and ethics component of the Institute's CPD scheme.

> **"Stephen suggested that if Jack were interested, he and his family would be very welcome to use his villa in Majorca… and that Jack would need only to pay for his family's flights."**

PERSONAL DEVELOPMENT

The analysis

For years, gifts and hospitality have been commonly used by individuals and organisations to cement business relationships. In a professional environment, such gestures are offered and accepted in good faith, with no hidden agenda. In some countries, gifts and hospitality are not only given but expected, and it can be profoundly insulting to the person giving them if they are refused.

Today it is generally acceptable in business to give gifts and to receive them graciously. While cynics might point out that gifts are a tax-free perk of the job and that business lunches and dinners are a way of feeding yourself at the expense of an organisation, there has rarely been anything untoward about these practices. However, attitudes have changed, and it has become necessary to re-evaluate the position of organisations on gifts and hospitality.

Gifts and hospitality are not bribes. They are usually offered retrospectively as a 'thank you for doing business' gesture, with no expectation of anything in return. However, the reality may be that once the value of these gifts increases, or the restaurant bills start to escalate, there could be a point at which future objective judgements may be compromised.

If Jack accepts his two or three weeks in a villa in Majorca, will his future evaluation of alternative proposals by other training providers be affected? Or will Jack re-engage Stephen in a hope or expectation that there will be another subsidised holiday in the sun? Ostensibly, when Jack was offered a trip to Majorca, nothing of value changed hands at that time, yet the actual monetary worth of the 'gift' could be hundreds or even thousands of pounds, depending on the quality of the villa. Jack's best course of action would be to decline the offer politely, or at the very least do nothing to suggest he will take it up.

Only a killjoy would deny Jack, or anyone in a similar position, their box of chocolates or bottle of wine at Christmas. In many cases, the recipients share the chocolates with colleagues or put the bottle of wine aside for the office party. Provided the value of gifts is relatively modest, few would do away with the practice, and for this reason, organisations with a gifts and hospitality policy set a maximum financial value, typically up to £50, although some prohibit acceptance altogether.

"While cynics might point out that gifts are a tax-free perk of the job… there is rarely anything untoward about the practice. However, attitudes have changed."

With increasing attention to all matters relating to bribery, corruption and other practices that might affect objective decision-making, many banking organisations now implement a formal policy on gifts, hospitality and incentives.

Where it is acceptable to give and receive gifts, the policy statement will set down expectations of behaviours, together with an explanation of the rationale behind the policy. Many organisations maintain a gift register with a requirement that they and other incentives be declared whether accepted or declined.

The policy may also offer choices of actions for those who accept gifts. For example, the recipient may be expected to share the gift with staff, raffle it or make a donation to charity of an equivalent value.

The policy may also set down instances in which gifts and hospitality should be accepted, such as free places on workshops and seminars offered by suppliers, lunches and refreshments at networking events and where declining such offers would cause offence. The policy may go even further in respect of hospitality offered by third parties in overseas locations. For example, bankers who work extensively in certain Middle Eastern countries are expected to accept lunches and dinners when they are guests of a company, as turning down such offers would be a gross affront to the host. CB

Bob Souster is a Module Director, Professional Ethics, Chartered Banker MBA at Bangor University. Share your views on Bob's verdict about this ethical dilemma by joining the Chartered Banker LinkedIn discussion forum.

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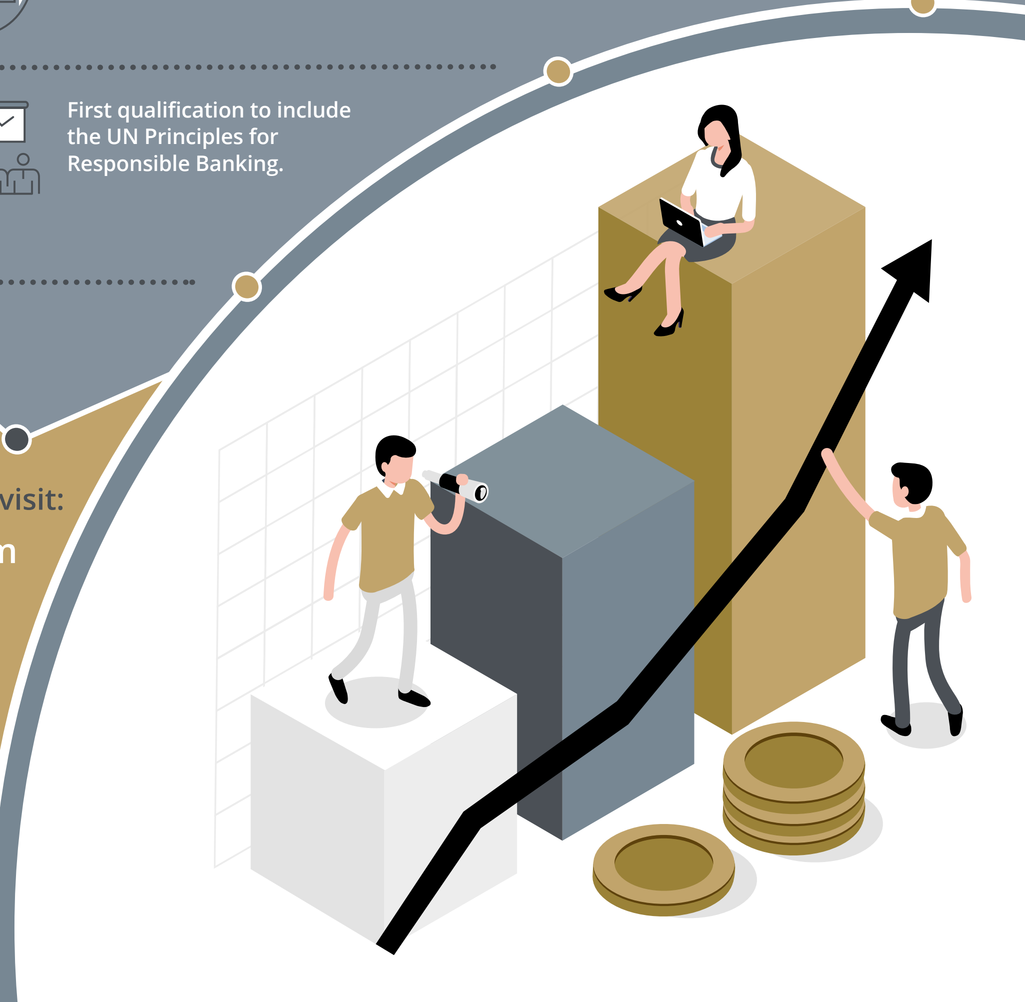

For further information please visit:

www.charteredbanker.com

Alternatively, please contact the Institute's Membership Engagement Team via:
info@charteredbanker.com
or +44 (0) 131 473 7777.

Chartered Banker

LESSONS LEARNED

Can banks save our cities?

Some businesses have already recalled staff to their offices with thermometers, masks and hand sanitiser at the ready. Others say they won't bring their employees until next year – or even until there's a vaccine. But, asks Ian Henderson, do banks have a duty to return?

Think back to the early months of 2020. The daily commute, the morning banter, client meetings, strategy sessions around a whiteboard, the occasional lunch (or sandwich from the nearest shop), a spot of retail therapy, even a pint after hours. And, of course, the commute again.

Quite a lot has changed. We're all experts on Zoom and Teams etiquette. Some of us may be working with colleagues we've never met in real life. Some colleagues may no longer be colleagues. You're probably a member of more WhatsApp groups than you'd ever thought possible – and may be trying to work out how to leave some of them without anyone noticing.

We've all found ways of working together that don't involve being in a meeting room. For a lot of people, especially those more senior in the higher-paid professions, working at home has been far from an unpleasant experience. Less so if you're sharing a flat (and Wi-Fi) with three others trying to work at the same time, or if you're trying to stop a toddler eating the cat's lunch. Tougher still if you're starting out in your career and have nobody around to learn from and mentor you.

Some firms, like Goldman Sachs, have built elaborate and impressive ways of giving their graduate intake an opportunity and experience as close as possible as 'normal'. Property firm British Land (they're the ones that have equipped their employees with branded lift-button prodders) is encouraging the organisations which occupy its buildings back to work. Others have complex wallcharts highlighting different teams and allocating times when they can be in the office to minimise the risk of a whole company being exposed to the virus.

The consensus from healthcare professionals seems to be that the virus won't be gone by Christmas, if ever, and that we – banks included – are going to have to learn to live with it. As Jeremy Farrar, Director of the Wellcome Trust, puts it: "This infection is not going away, it's now a human endemic infection. Even if we had a vaccine or very good treatments, humanity will still be living with this virus for very many, many years … decades to come."

A vast amount of investment in research and technology is being deployed not just in vaccine research but in techniques to help organisations to cope. Low-cost, self-administered weekly testing is one answer. If everyone in a building is tested every week, they can go to work fairly confident that they won't be infected by their colleagues.

It's vital that people are tested regularly for the foreseeable future, whether they have symptoms or not – 40% of people who get the virus never show symptoms but can still spread it to others. And testing doesn't take away the need for basic hygiene, such as wearing masks and using hand sanitiser. It's a vast undertaking, one the government simply can't manage alone. Organisations which can afford to protect their own staff, and get them back to the office soon, have a responsibility to do so.

There's another vitally important reason. As a leader in *The Sunday Times* put it: "Get people back to offices, or watch our cities die." Back in February we took for granted those shops, sandwich bars, pubs and other services built to serve city offices. As well as looking after our needs they employ hundreds of thousands and are a vital part of the economy. If these businesses fail there will be enormous social and economic consequences.

"Organisations which can afford to protect their own staff, and get them back to the office soon, have a responsibility to do so."

For the sake of their own people, their shareholders and society, banks and other organisations in the financial sector should find a way – like setting up regular screening for all their staff – to return to the office as soon as guidelines allow. CB

Ian Henderson is CEO of AML Group
aml-group.com

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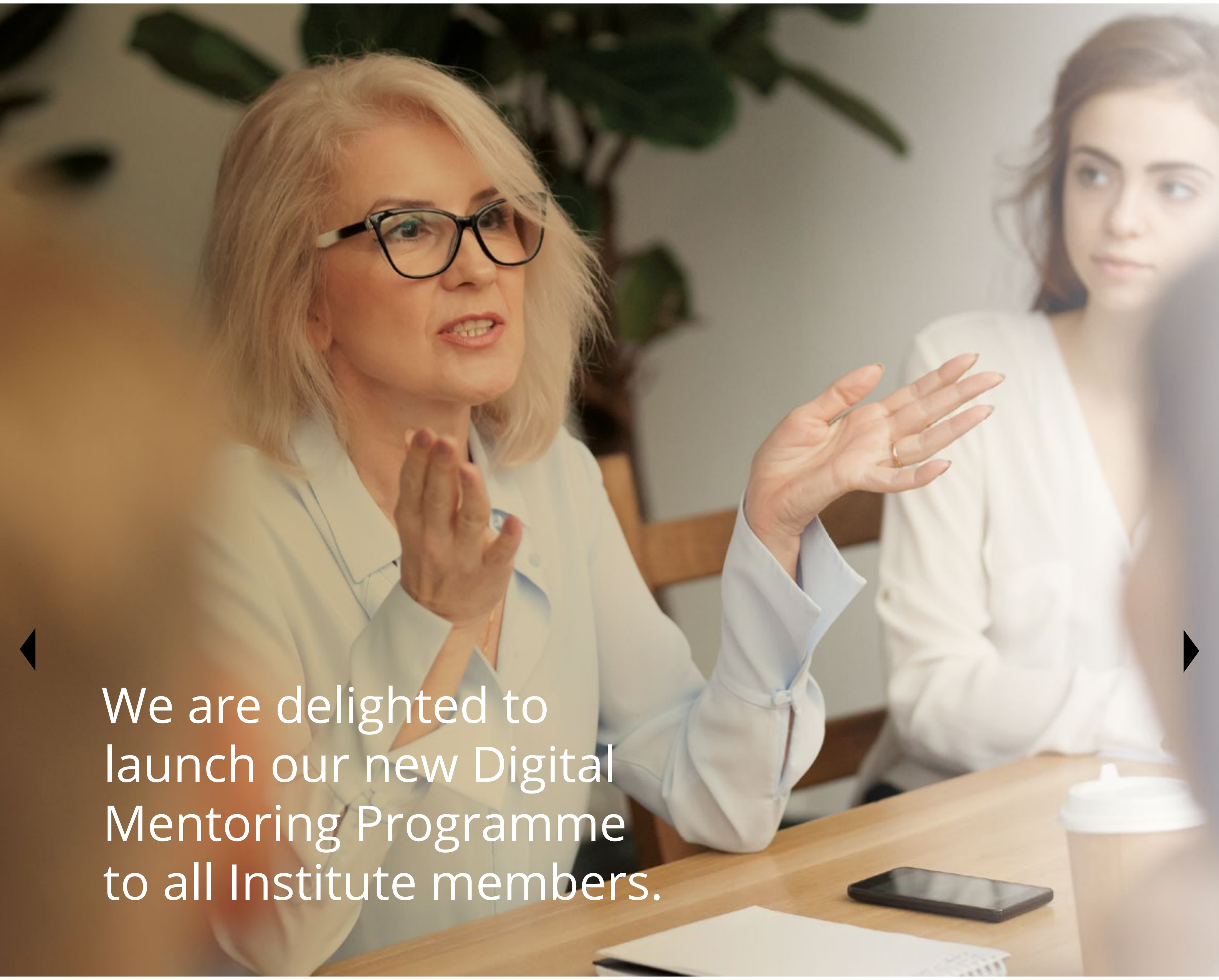
MENTORING PROGRAMME



This platform has been designed to help members' professional development, expand their network and build their industry knowledge. The new digital platform allows mentees and mentors to easily manage their mentoring relationship online, and we hope members find this new service beneficial.
As a valued member of the Chartered Banker Institute, we invite you to create a profile on the mentoring platform either as a mentor or mentee.

Discover the new platform, visit **www.charteredbanker.com/mentoring**, or please get in touch if you have any questions: **mentoring@charteredbanker.com**

"The Mentoring Programme has enabled great conversation with someone who has a lot of experience in the sector. I have received good advice on how to reach my career goals and have also been put in contact with others to discuss potential opportunities. I would strongly recommend the programme to others."

Institute Mentee

"Becoming a mentor has allowed me to give something back to the next generation of professional bankers; to pass on the experience I have acquired in the industry and to press home the importance of professionalism."

Institute Mentor