

CHARTERED BANKER

June/July 2017

The magazine for the UK banking profession

ENSURING ANONYMITY

Institute whistleblowing initiative

BUILDING MOMENTUM

The drive for diversity

DIGITAL DISCONNECT

Is money losing value?

SAFE TO SPEAK UP

BANKS SUPPORT WHISTLEBLOWING CULTURE

PROTECTING PEOPLE

UNDER PRESSURE

Are rules enough?

ONUS ON FIRMS

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A new model

get
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Chartered Banker Institute
Drumsheugh House
38b Drumsheugh Gardens
Edinburgh EH3 7SW
tel: 0131 473 7777
fax: 0131 473 7788
www.charteredbanker.com
info@charteredbanker.com

Chartered Banker Institute
(London Office)
Suite 208
1 Royal Exchange Avenue
London EC3V 3LT
tel: 020 7464 4440

Chartered Banker magazine is published six times a year in February, April, June, August, October and December on behalf of the Chartered Banker Institute.

Subscriptions

Chartered Banker is sent free to Institute members. For non-member subscriptions, contact the Institute on 0131 473 7777.

Editor in Chief

Simon Thompson

Deputy Editor in Chief

Martin Fishman

Publishers

Editions Financial

Managing Editor
Layna Marshall
0131 476 7608
layna@editionsfinancial.co.uk

Deputy Managing Editor
Amanda Fisher
0131 550 1163
amanda@editionsfinancial.co.uk

Design: Katie White

Writers: Alexa Robertson, Jamie Graham, Helen King, Ian Henderson, Bob Souster

Advertising:
Tony Dickson
0131 476 2502
tony@editionsfinancial.co.uk

Editions
FINANCIAL
CONTENT WITH INTENT

Mission Hall
1 Roxburgh Place
Edinburgh EH8 9SU
tel: 0131 476 2502
fax: 0131 476 2672

10 Little Portland Street
London W1W 7JG
tel: 020 3170 6277

www.editionsfinancial.co.uk



Chartered Banker

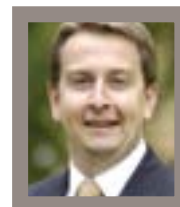
The voice of financial professionalism

THE FRONT LINE



Speaking up

Confidentiality and sensitivity are essential professional qualities, but Chartered Bankers must also be able to identify when disclosure might be appropriate, says SIMON THOMPSON.




Simon Thompson,
Chief Executive

The Chartered Banker Code of Professional Conduct requires members to treat information with appropriate confidentiality and sensitivity. But, because the Code also asks members to act with integrity, lead by example, display high standards of professionalism and demonstrate a commitment to ethical conduct and the public interest, this will not always align with the “traditional” view of banking secrecy that implied no disclosure at all.

There are circumstances in which disclosure might be appropriate, indeed required – particularly (setting legal duties of disclosure aside) when a member becomes aware that “something is wrong” and internal channels of communication are not able to set this right.

Chartered Bankers, in my view, have a professional duty to “speak up” internally and, if required, to “blow the whistle” where they see unethical and unprofessional conduct by colleagues or by their institution. In fact I’d argue this is one of the fundamental aspects of being a professional – a loyalty to professional code and ethos that goes beyond loyalty to colleagues and employers – coupled with an acceptance that, in turn, and despite many more protections now in place for whistleblowers, doing the right thing may at present still prove to be a career-damaging move.

The Institute, therefore, as the professional body overseeing the Chartered Banker Code, has a duty to support our members. As reported in this issue of *Chartered Banker* we are launching an anonymous whistleblowing membership service which I hope members will use alongside the formal reporting mechanisms provided by banks and regulators. Over time, we might seek to extend this further, and I’d welcome your feedback and views on this.

This is a good example of how the Institute’s role and remit has grown in recent years, as well as our size and scale. With more than 30,000 members we are widely recognised as the professional body for UK bankers, leading the re-professionalisation of banking. This has led Council to conclude that the time is right to seek a revised Royal Charter to formalise our status as the Chartered Banker Institute. This will also modernise our governance arrangements to ensure they are fit for purpose for the larger and more complex organisation we have become, as well as to enable the voice of our wider membership to be heard. I hope you will support these changes and look forward to seeing you at our AGM on 15 June, where these will be presented for members’ approval. 

“One of the fundamental aspects of being a professional is a loyalty to professional code and ethos that goes beyond loyalty to colleagues and employers.”

The Professionals in this issue



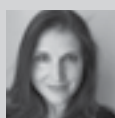
JULIE MORRIS is a Senior Employment Lawyer at Slater and Gordon. She has over 17 years' experience in employment law, including of discrimination and whistleblowing cases involving senior executives and individuals. p14



DAVID LEWIS is Professor of Employment Law at Middlesex University, London, where he is Head of the Whistleblowing Research Unit. He is also Convener of the International Whistleblowing Research Network. p17



HEATHER MELVILLE is Chair of the Chartered Management Institute and Lead of CMI Women as well as Director, Strategic Partnerships, and Founding Chair of the RBS Focused Women's Network. p23



MARJORIE STRACHAN is NatWest Global Head of Inclusion and has over 25 years' experience of working in personnel, change and organisational development roles, predominantly in financial services. p26



STUART HAIRE is Head of Retail, UK, at HSBC and brings a strong background in enhancing customer experience through organisational change in roles at both established and challenger banks. p26



NIRO SIVANATHAN is Associate Professor of Organisational Behaviour at London Business School and a specialist in the psychology of the self, including how this influences decision-making. p28



CLAUDIA HAMMOND is the author of *Mind over Money: the psychology of money and how to use it better* and the presenter of *All in the Mind* on BBC Radio 4. p28



NEIL TOMLINSON is Head of Banking at Deloitte. A former senior executive of NatWest, he specialises in strategy and business transformation, with expertise across the banking sector. p30



PAUL HORLOCK is Head of Payments at Nationwide Building Society. He is responsible for the delivery of a full range of end-to-end payments service requirements for the Society and its 15 million members. p30

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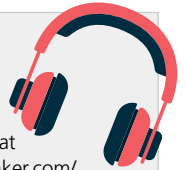
A problem shared

Introducing the Institute's new whistleblowing membership service.



“By accessing the accounts and data they hold elsewhere, we can help personal banking customers with complex financial lives.” p30

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Firms may need to let go to unlock creativity, says IAN HENDERSON.



PEOPLE & NUMBERS

Viney moves to Metro



VINEY

Metro Bank has appointed Alec Viney as Commercial Banking Director. Viney will join the bank's specialist Large Commercial Banking

team to look after business customers in the south-east of England.

He brings over 25 years' experience to the role, having worked most recently as Commercial Relationship Director at HSBC. Viney will report directly to Andy Veares, Director of Large Commercial Banking.

Commenting on his appointment, Viney said: "Having learnt about the bank's vision and commitment to customer service, I knew this was a place where I wanted to work. The business is witnessing significant and sustained growth and I'm really excited to join the team and make a real difference to the way businesses bank."

Andy Veares said: "I am delighted to welcome Alec to the growing team. He brings a wealth of experience and a real desire to do the right thing for the customer."

HSBC appoints AIA boss



TUCKER

HSBC Holdings plc has announced the appointment of Mark Tucker as a Director and Group Chairman Designate from 1

September 2017. Tucker will also take over as Non-Executive Group Chairman on 1 October.

Tucker is currently Group Chief Executive and President of AIA Group Limited (AIA), which he joined in July 2010. Since he led its successful IPO in October 2010, AIA has become the world's largest independent public-listed pan-Asian life insurance group. Before joining the group, Tucker's career

was primarily with Prudential plc. He was the founder and Chief Executive of Prudential Corporation Asia Limited (1994 to 2003) and was on the board of Prudential plc for 10 years, serving as its Group Chief Executive from 2005 to 2009.

As a non-executive director, Mr Tucker served on the Court of the Bank of England from June 2009 to May 2012, where he was a member of both its Financial Stability and Audit and Risk Committees. Since 2012 to the present, he has been an independent Non-Executive Director of the Goldman Sachs group. He will stand down from that role before joining the Board of HSBC.

Sajed steps down



SAJED

Amer Sajed, CEO of Barclaycard International, is to retire from his role in July 2017. He will step down from his position on the Group Executive Committee simultaneously.

"Amer has made a huge contribution to the growth and development of Barclaycard during his ten years with Barclays, the last two of which have seen him lead that business globally," said Jes Staley, Group Chief Executive.

Commenting on his decision, Amer Sajed said: "After 10 incredible years at Barclays, and decades in the financial services industry, I have decided to retire and pursue a new passion. I am proud to have been part of nearly doubling the number of customers of Barclaycard and quadrupling our profits in my decade at the bank, but I shall always be proudest of the amazing people I have worked with here who have made our business the best and most innovative credit card company in the world. I wish them even more success for the future."

Back to (cyber) basics

Half of British businesses have discovered at least one cybersecurity breach or attack in the past year, with firms holding personal and financial data on customers more likely to be targeted.

The 2017 report, commissioned by the Department for Culture, Media and Sport, found that 46% of all businesses discovered at least one cybersecurity breach in 2016, with the average cost to firms ranging between £1,570 and £19,600.

But as the threat landscape continues to evolve, firms are leaving themselves vulnerable by failing to get the basics right, said the Financial Conduct Authority's Executive Director and Acting Chief Operating Officer Nausicaa Delfas. Speaking at the Financial Information Security

Network, she cited Verizon research showing that 10 vulnerabilities accounted for 85% of successful breaches.

The vast majority of vulnerabilities exploited in these attacks were well known – and had fixes available at the time of the event. In some cases, a fix had been available for over a decade. Rigorous patch management is key, she stressed: "Tools to enable effective management of vulnerabilities are well established, and yet organisations either don't use them, or don't use them effectively."

Delfas also called for greater collaboration within the industry – and with government – to share intelligence and grow the talent to keep us safe and secure in the future.



Beato joins TSB



BEATO

TSB Bank plc has appointed Paulina Beato as an independent Non-Executive Director.

An experienced Board Director and Adviser with significant international expertise across a range of different industries and governmental agencies, Beato was deeply involved in the privatisation and restructuring of the utilities sector in Spain. She is passionate about competition and has been very active within financial regulation.

Will Samuel, Chairman at TSB, commented: "I am delighted to welcome Paulina to TSB. She will bring a wealth of skills to our non-executive team, including experience of audit, risk and risk analytics, and extensive knowledge of banking and banking competition in Europe."

"I have a passionate belief in the benefits of competition for consumers and the critical role that good regulation delivers in this regard," added Beato. "The values of TSB strongly echo my own. I'm excited to join TSB to learn more about UK banking and to support TSB in its role as the UK's challenger bank."



All in the experience

According to EY's Global Consumer Banking Survey, increasing commoditisation and new competition have shifted banks' competitive arena from price, product and scale to customer experience.

Banks must be proactive in measuring and enhancing the experiences that they offer their different customer segments if they are to differentiate themselves from traditional competitors – and stay ahead of new ones, it said.

Taking a page out of FinTechs' playbooks is the clearest way forward, according to EY. To keep up with the new entrants transforming customer expectations of financial providers, traditional banks must:

- Radically simplify the customer journey
- Design and implement for end-to-end customer engagement – with effective integration across channels
- Branch out into new service lines and product territories to enhance customer relationships.

For most, this does not mean starting afresh; the survey found that traditional banks are meeting most consumers' primary financial services needs and, in many cases, have a strong digital foundation to build from. New entrants who offer a more convenient, personalised experience may prove the greatest threat to consumer trust and loyalty.

Facts&Figures

68%

of customers feel "just a number" to their bank.

Half

of businesses have discovered a breach or attack in the past year.

Nine in ten

people still use in-branch counter services.

UK Finance names CEO



JONES

Ex-Santander executive Stephen Jones has been appointed as CEO of a new trade association formed by the merger of six UK trade bodies.

The British Bankers' Association (BBA), Council of Mortgage Lenders, Payments UK, Asset Based Finance Association, UK Cards Association and Financial Fraud Action UK will legally merge as UK Finance in July.

Jones, who has stepped down as Senior Adviser to US private equity group Cerberus, is expected to start work at UK Finance prior to its creation on 3 July.

Current BBA Chief Anthony Browne, who will soon have completed the five years he agreed to hold the position for, is to step down prior to the merger.

Commenting on Browne's departure, BBA Chair Noreen Doyle said: "He has enhanced the reputation of the BBA, helping ensure it truly represents the full spectrum of the industry, and has helped ensure banks are more customer-focused.

"He has played a fundamental role in the wake of last year's referendum, being at the heart of the industry's Brexit deliberations. He has been an energetic force for good in banking, and will be missed by all."



Giving people access to basic account management services via the Post Office may mitigate the effect of branch closures, but banks must be wary of the impact on their relationship with customers, warns research company Mintel. After all, 90% of people use in-branch counter services offered by their main current account provider, it reported.

And while some banks are transforming their branches instead of terminating them, such as the Capital One Cafés, more than 1,000 have closed in the last two years. As well as losing the chance to showcase their face-to-face customer service, banks may find themselves at a disadvantage in identifying potential cross-selling opportunities.

The new Post Office deal, agreed in January 2017, extends the limited services that it has offered to some personal and business banking customers for years – now allowing 99% of personal banking customers to conduct basic day-to-day account management.

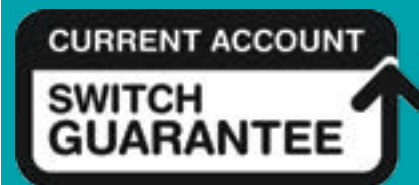
But with only 11% stating that their preferred method of checking their balance is by visiting a branch, and 74% saying they prefer online or mobile banking, the services offered are likely to be limited for the majority of people. Instead, the importance of branches comes into play for complex issues such as applying for a new product, closing an account or making a complaint, said Mintel.

Two-thirds feel 'just a number'

The Current Account Switch Service has processed over 3.7 million successful switches since its launch in 2013.

During the year from 1 April 2016 to 31 March 2017, 949,047 switches were completed, with over 25% of those in the first quarter of 2017. Awareness of the Bacs-run service also reached a new record high of 79% in March – an increase of 21% since launch.

And separate research commissioned by GMC Software and Sainsbury's Bank suggests switching is only set to continue. The former, conducted by Kantar TNS, revealed that 43% of banking customers were either thinking of switching banks in the next year, or had already committed to doing so.



Customer service concerns were found to be a major factor in the decision. Some 68% reported that they felt they were "just a number" to their bank, while 79% were concerned that customer service would fall as remote banking continues to grow.

Sainsbury's Bank found that 7.2 million people feel the financial value of rewards received from their credit cards has fallen, compared to 1.8 million who think they have increased. The corresponding figures for bank accounts are 11.4 million and 2.8 million. As a result, 11% plan to switch their bank account over the next year and 9% intend to change their credit card.

And, with Open Banking poised to shake up the ways in which consumers communicate with their bank – as well as what they expect of them – many institutions will find they have to rethink their offering to retain customers.

RNIB approves accessible cards

Two new cards from RBS have become the first products to receive approval from the Royal National Institute of Blind People (RNIB) in the form of its new quality assurance mark, 'RNIB Approved'. The cards, which aim to make everyday banking easier for customers with sight loss, are available from both Natwest and RBS and were developed in partnership with RNIB. Accessibility features include a notch on the side to show which way round it is and two or

three vertical braille markings to indicate whether it is a savings or debit card, as well as larger telephone numbers on the rear.

RNIB Approved was launched in response to demand from individuals affected by sight loss, as well as from businesses focused on providing accessible products and services. To receive the new status, products must undergo a rigorous testing process and be reviewed by both accessibility experts and a panel of blind and partially sighted people.



New Santander CRO

Patricia Halliday has joined Santander UK plc as Chief Risk Officer (CRO). Halliday, who started her new role on 15 May 2017, reports to Chief Executive Officer Nathan Bostock.

She now oversees Santander UK's risk function with responsibility for the management and control of all financial risks (credit, market, liquidity, capital and pensions) as well as the operational risk framework and reporting.



Halliday has held senior credit risk positions at Deutsche Bank and Barclays Capital. She joined Santander from GE, where she was CRO of GE Capital International Holdings, with oversight of

all enterprise risks across over \$125bn of assets and multiple jurisdictions.

She replaces Keiran Foad, who has been appointed Deputy Head of the risk division and Deputy CRO at Banco Santander.

Bostock commented: "I am delighted to appoint Patricia as our new Chief Risk Officer. She brings extensive banking experience to this very important role."

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www.charteredbanker.com

Chartered Banker

Raising education standards worldwide



Simon Thompson,
Chief Executive

During the recent World Conference of Banking Institutes in Nigeria, Simon Thompson, CEO, Chartered Banker Institute, was elected as Chair

of the new Global Standards Education Committee. The Committee will seek to develop global education standards for banking institutes worldwide.

Comprising representatives from Australia, the Bahamas, Canada, India, Hong Kong, Malaysia and Nigeria, the Committee will initially focus on identifying existing good practice and standards. It is then expected to build on these examples to develop an initial global education standard (or standards), most likely developing a standard setting out the knowledge, skills and behaviours expected of professional bankers worldwide. The Institute will also provide secretariat services to the new Committee.



A global forum

In April 2017, the Chartered Institute of Bankers of Nigeria (CIBN) hosted the World Conference of Banking Institutes (WCBI) in Lagos, Nigeria.

The WCBI is a biennial global forum that brings together around 1,000 financial services professionals and other stakeholders engaged in banking operations. It serves as a platform for banking institutes to strategically appraise the global challenges facing the sector.

This 22nd edition of the Conference aimed to promote innovative talent management strategies for financial services; encourage strategic learning, cross-

fertilisation of ideas and networking for value; promote investment and economic growth, especially in the industry; enrich access to information, knowledge experience and expertise of professionals from other jurisdictions; and provide a unique platform for bilateral relations.

Professor Ted Gardener, Programme Director of the Chartered Banker MBA, was the Forum Chair for the Re-professionalising Banking through Continuous Education session with colleague Professor John Ashton, Academic Director of the Chartered Banker MBA, as one of the guest speakers within this forum.

Maintaining standards

As members of the Chartered Banker Institute, the only professional banking institute in the UK and the only body in the world able to confer the status of Chartered Banker, individuals have a responsibility to undertake and record evidence of their Continuing Professional Development (CPD) activities each year.

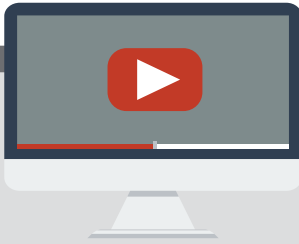
Ensuring that members maintain and demonstrate this professional competence is an important part of the Institute's commitment to embedding and sustaining professional standards and restoring trust

in banking. To check that members are undertaking appropriate activities to maintain their professional skills, conduct and knowledge, we sample the individual CPD records of 5% of our membership on an annual basis.

The latest CPD Sampling Exercise reviewed 210 members' records from 2016. Of these, 151 were successfully verified, while 33 were excluded from the sampling for personal reasons. A further 26 did not provide evidence of their CPD log when requested, resulting in

the removal of their professional designation until records could be adequately submitted.

The Institute's wide range of CPD resources can be accessed by all members in the login area at www.charteredbanker.com. Material is regularly updated to support members working in an ever-changing environment, and currently includes the e-CPD toolkit for leadership, management and personal development plus access to webinars and events.



Upcoming webcasts

Don't miss the next events in our popular webcast series:

HARD FACTS ABOUT YOUR SOFT SKILLS: WHY PEOPLE WITH PURPOSE PERFORM BETTER, THURSDAY 22 JUNE, 1PM-2PM

Leaders who put relationships and purpose before results enable employees to perform better. Why? Because having a sense of purpose and belonging, and being respected, makes you feel worthy and changes your brain chemistry. That in turn influences everything from your perception of pain and your ability to handle challenging environments to your health and well-being.

Best-selling author Kevin Murray discusses the essential soft skills which, in a competitive world, have become crucial to ensuring ethical behaviours, achieving high levels of customer satisfaction, and meeting demanding goals.

MINDSET OF SUCCESS, TUESDAY 4 JULY, 1PM-2PM

What differentiates the very best leaders from the merely very good – and, more importantly, how can you build a mindset for success yourself?

In this webinar, best-selling author, keynote speaker and social entrepreneur Jo Owen explores seven mindsets (plus one mindset from the dark side) which all the best leaders have.

From spies to sports, education to entrepreneurs, business and beyond, Mindset of Success is based on original research with ordinary people doing extraordinary things.

Register today at www.charteredbanker.com > Events Calendar or visit our Knowledge Hub to listen to recordings of any of our webcasts that have already taken place.

CPD survey – thank you

The Institute would like to thank members who participated in our recent CPD survey – we received a tremendous response. Results from the survey will inform the development of new resources and make enhancements to existing ones. They will also help us to improve the way we communicate with members about CPD resources.

Congratulations to survey participant Zakir Mirza who was the lucky winner of a voucher in our prize draw.

Taking security

WEDNESDAY 21 JUNE 2017, MANCHESTER

If you missed 'Taking Security' when it took place in London at the end of May, you can still attend the Manchester session. The event, a joint venture from Shoosmiths LLP and the Chartered Banker Institute, will review the most effective forms of security being used in the UK currently, effective clauses and trends to watch out for.

The latest in the seminar series designed specifically for banking professionals and hosted by Shoosmiths and the Institute, will be held in Manchester on Wednesday 21 June.

Further details are available at www.charteredbanker.com/events-calendar/



Subscription reminder

Don't forget to renew your membership to maintain eligibility to use the designatory letters appropriate to your grade, or to continue with your studies.

July is the most popular month for renewals – and is also when changes in subscription rates occur – but we operate a

rolling membership year, so renewals will fall 12 months after initial enrolment. The subscription can be paid annually either by direct debit, via the members' section of the website or by cheque. If paying by direct debit, members also have the option to pay their subscription in monthly instalments.

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SAFE TO SPEAK UP

Whistleblowing guidance from the Financial Conduct Authority (FCA) encourages firms to implement internal procedures that allow employees to raise concerns about wrongdoing and poor practice – and protect those reporting genuine problems. But recent events have prompted charities and law firms to call for greater protection for those flagging up internal problems – and even a reassessment of existing rules. In this issue, ALEXA ROBERTSON asks: is the industry doing enough to support whistleblowers?

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Testing the rules

The new FCA rules may have led to a surge in the development of internal guidelines. But does current legislation do enough to protect those who make a disclosure?

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Culture of protection

The onus is on firms to ensure their internal reporting procedures are fit for purpose. What does that mean, and how else can firms reassure whistleblowers they'll be protected?

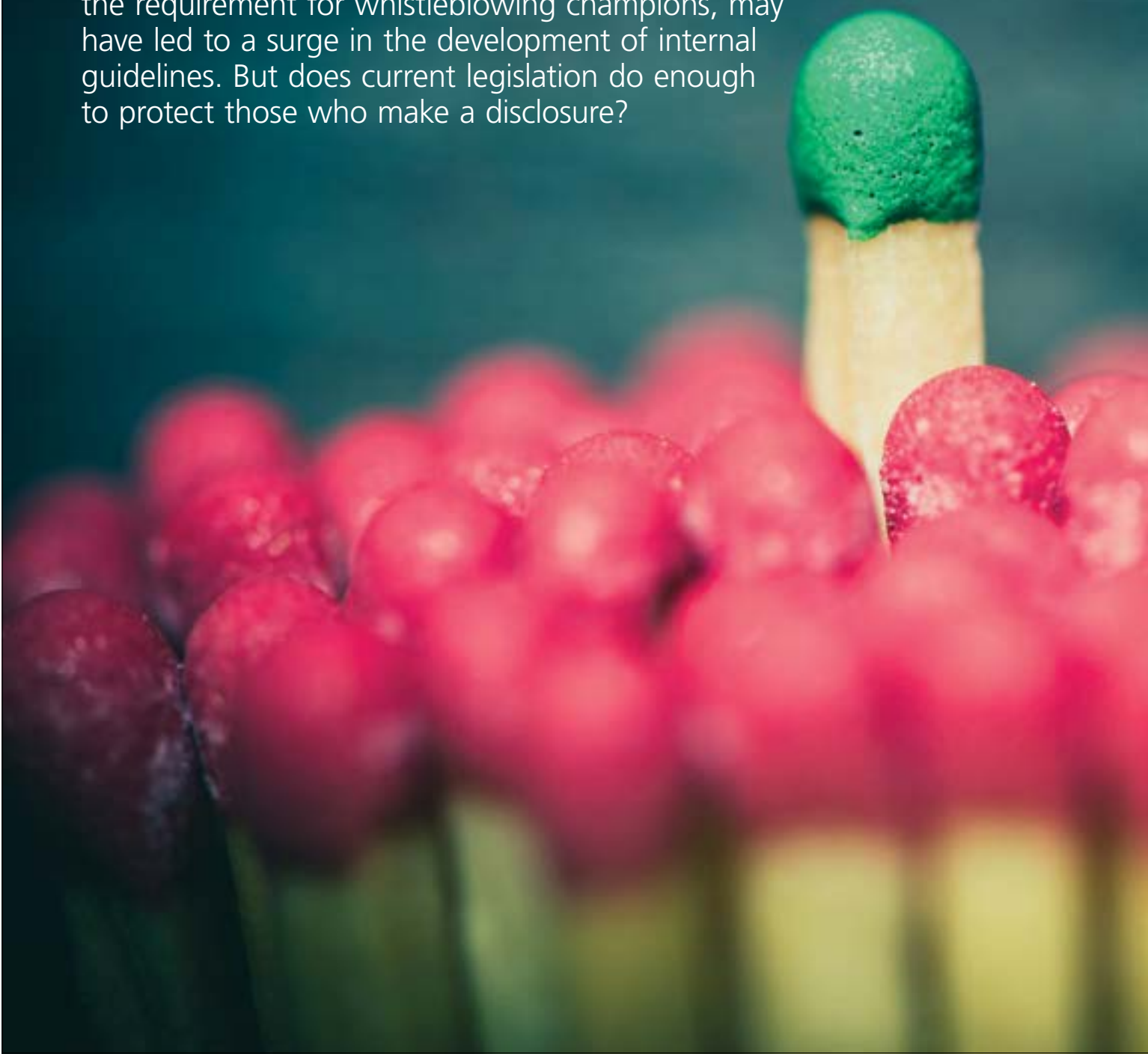
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A problem shared

The Institute's new whistleblowing support service uses pioneering problem-sharing technology that turns the web on its head.

TESTING the rules

New Financial Conduct Authority (FCA) rules, including the requirement for whistleblowing champions, may have led to a surge in the development of internal guidelines. But does current legislation do enough to protect those who make a disclosure?



It's been nine months since the FCA's updated guidance on whistleblowing came into effect in the UK. The rules – calling for financial service providers to review and update internal procedures in order to better protect employees and change the whistleblowing culture – were last month also extended to British branches of foreign banks.

Under the new guidance, financial services firms regulated by the FCA and Prudential Regulation Authority (PRA) must appoint a whistleblowing champion – a senior figure trained in the appropriate and confidential handling of whistleblower issues. Their role should also include the development and promotion of a culture of increased transparency, including giving potential whistleblowers the reassurance of protection.

Encouraging disclosures of wrongdoing or illegal practice is essential for rebuilding trust in the industry, as well as reducing fraud and encouraging best practice across the sector. But recent reports from within the industry have led to new concerns that the legislation does not go far enough in protecting employees who may need to make a disclosure.

ON THE RISE?

Whistleblowing charity Public Concern at Work advised on 130 cases involving individuals working in the finance industry last year, compared to 98 in 2015 and 102 in 2014. The number of complaints registered with the FCA, however, dropped during the 2015/16 financial year, bringing them into line with 2013/14 findings, which could be attributed to more whistleblowers seeking support outside of the FCA in the first instance.

A 2015 report by the charity revealed that half of those who contacted it after blowing the whistle had either been dismissed or put under pressure to resign, and it called the attitude towards whistleblowers in the industry “pernicious”.

Public Concern at Work is not alone in its belief that the working environment in many financial services firms still discourages employees from speaking up if they have concerns about possible wrongdoing.

“There has been a significant attempt to try to change the culture following the financial crisis, and that is very much what the FCA and PRA have tried to do with the latest guidance,” says Julie Morris, Senior

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“WE ARE SEEING MORE WHISTLEBLOWERS COMING FORWARD, BUT I DON'T THINK THEY'RE NECESSARILY GETTING BETTER PROTECTION.”

continued >>

Employment Lawyer at Slater and Gordon.

"We are seeing more whistleblowers coming forward, but I don't think they're necessarily getting better protection. The whole point of the guidance and the introduction of whistleblowing champions is to ensure that the message comes down from the top and individuals feel confident that they can raise an issue without it impacting them personally.

"It's plain from what's happened in the industry recently that the culture hasn't yet changed. I don't think the legislation goes far enough."

LOST IN LEGALESE

One of the problems is the nature of the technicalities within the legislation, which often leave whistleblowers and their representatives embroiled in a legal debate quite separate from the issue which was originally raised.

"In a lot of cases we see firms trying to defend a claim on the basis that the whistleblower didn't disclose information which, in their reasonable belief, showed there was a breach of a legal obligation.

"When individuals blow the whistle they don't say 'I believe you were breaching Section X of this particular act.' What they are more likely to say is 'I think what you were doing was dishonest,' or 'We weren't

following proper accounting procedures.' You can then end up in significant battles over whether what they disclosed is enough to gain whistleblower protection. This isn't what it should be about."

A CULTURAL SHIFT

The FCA/PRA guidance on whistleblowing, says Morris, now goes much further than the legislation, leading to a disconnection which can cause issues further through the process. While firms' internal procedures make provisions for any staff member, client or customer to raise concerns, whistleblowing legislation protects much narrower categories of individuals and complaints.

And, while the FCA managed 1,014 intelligence cases containing information from whistleblowers in

"THERE IS A CONCERN AMONG WHISTLEBLOWERS THAT IF THEY RAISE AN ISSUE, THEY WILL NO LONGER BE SEEN AS A TEAM PLAYER."

2015/16, the fact that the number of cases reported to it dropped from the previous year could be due to a lingering lack of incentives for individuals to come forward.

Writing in a recent CIPD blog, Nick Hawkins, Employment Solicitor at Stewarts Law, said: "It (the decrease) may be because the enormous scrutiny of financial services firms since the financial crisis has led to a significant improvement in practices and behaviours. Others would argue that there are still insufficient incentives and protections for individuals who may wish to report poor behaviours. Or it could be that individuals have reputational and career concerns about blowing the whistle and becoming what they might regard as the 'bad egg'."

Morris agrees. "The culture in banks means that individuals tend not to blow the whistle overtly – they prefer to do it more subtly," she says. "There is a concern that if they raise an issue, they will no longer be seen as a team player. It's hard for banks to change the culture to one where that isn't seen as a bad thing."



FOUNDATIONS OF SUCCESS

It remains to be seen whether new guidance goes far enough to protect employees and address the cultural resistance to whistleblowing, particularly as the new regulatory rules are rolled out more widely across the industry. In the meantime, financial services firms must regularly review internal procedures in order to reduce the likelihood of – as Hawkins puts it – "time-consuming, reputation-damaging and expensive enforcement action".

And, rather than focusing on the number of cases reported, the FCA says it is vital that employees know they are supported, and the exact nature of that support. As outlined in its most recent annual report: "Our aim is to ensure that those who prefer to report to an independent body know about our role and that, if they do need to take the often difficult step of reporting on an employer, they and their information will be treated sensitively and professionally."



HOW DOES WHISTLEBLOWING DIFFER FROM A GRIEVANCE?

There is an important distinction between a whistleblowing case and a grievance. A grievance is a matter of personal interest regarding an employee which has no impact on the wider public. Whistleblowing procedures, meanwhile, relate to serious concerns that may affect the public, including:

- A criminal offence has been, is being, or is likely to be committed
- Suspected fraud
- Malpractice or ill treatment of a client.

Culture of PROTECTION

While the PRA's whistleblowing function is available to those unable to voice their concern in the workplace, the onus is on companies to ensure their internal reporting procedures are fit for purpose. What do appropriate procedures look like, and what else can firms do to assure their employees they'll be protected?

Whistleblowing policy has been propelled to the top of the UK financial services industry agenda. Now, organisations are turning the microscope on themselves in order to review and improve the pathways in place for employees to make disclosures around poor business practice.

While the Prudential Regulation Authority's (PRA) whistleblowing function aims to support financial services professionals with concerns around wrongdoing in the workplace, whistleblowing experts believe strong internal procedures are vital in dealing with any issues promptly.

Indeed, with or without legislation, whistleblowing expert Professor David Lewis believes it simply makes good business sense

to implement appropriate whistleblowing procedures. "Even without legislation, having a whistleblowing policy and procedure is a matter of self-interest. It's as simple as that," he says.

"Do you want to hear about wrongdoing via the media or do you want to hear it from a line manager who's passed it up? An external disclosure is a failure. You want to deal with concerns internally. Even multinationals in countries where there are no legislative pressures have procedures because it's in their interest."

PROCEDURES WITH PURPOSE

While most banks would have undertaken comprehensive consultation prior to implementing internal procedures, it is essential that the introduction of such policies comes with a strong statement of

buy-in from senior management. Procedures must also allow staff access to the top.

"Culture is number one. The legislation can give all kinds of rights, but if senior management make it clear they're not interested in receiving concerns, it will make life difficult. If the people at the top are receptive, you will get more people reporting."

Once procedures are in place, it is important that messages of assurance are regularly reiterated to staff, particularly during times of change. Induction training around why it's important to raise concerns, and regular reminders and encouragement around how to do so, are some ways the culture can continue to be challenged and improved.

"When you get a new senior member of staff, it's appropriate for them to say 'My

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door's always open and I want to hear bad news as well as good news.' That's just good governance and is in everybody's best interests. It has to be endemic within the organisation," says Lewis.

COMMUNICATION IS KEY

In the past, conversations around whistleblowing often had negative associations. Now, with shifting cultural norms, empowering banks to encourage and address concerns internally is reliant on developing and maintaining open lines of communication with staff.

Some organisations now use appraisals as an opportunity for employees to discuss any concerns they may have – or simply enable management to check whether individuals

“PRESS COVERAGE OFTEN RELATES TO CASES WHERE WHISTLEBLOWING HAS GONE WRONG. WITH INTERNAL REPORTING PROCESSES IN FINANCIAL SERVICES, I SUSPECT THERE IS AN AWFUL LOT GOING RIGHT.”

would be comfortable raising issues through the adopted framework.

PricewaterhouseCoopers, in its whistleblowing guidance 'Striking the Balance', also highlights the importance of keeping whistleblowers updated on the progress of complaints – an area which might previously have been neglected.

"In the past few years, we have observed a recognition and an understanding that it's not just about having the rules, the policy, the processes and controls in place. It's really around the culture and the transparency of how things are dealt with," it says.

"This is why it is important for managers to keep whistleblowers updated on the progress of their complaint, as feedback embeds trust. Where a particular event has happened or an organisation has suffered a crisis, leaders need to be seen to learn from it. Learning from failure and crisis is another way to build trust within an organisation."



MODEL OF SUCCESS?

The Dodd-Frank Act, introduced in the US in 2010, has been described by leading whistleblowing attorney Michael Kohn as "the best whistleblower provisions ever enacted anywhere". The Act gives credible whistleblowers the right to a percentage of any funds recovered by the Securities Exchange Commission (SEC) as a result of the disclosure, and acts as protection for staff with limited employment protection. Strengths of the US model include:

- Provisions for total anonymity
- Strong anti-retaliation legal protections
- Financial rewards that encourage whistleblowers to come forward
- Bars on non-disclosure agreements that restrict reports to the government or the right to obtain a reward
- 'Intelligently thought-out methodology' allows compliance officers to pass disclosures to government regulators and obtain a reward should the company fail to adequately address the issue within 120 days
- The enactment of the Dodd-Frank programme has already returned billions of dollars to US taxpayers.

ROOM FOR REWARD?

While the UK's current guidelines aim to encourage potential whistleblowers to come forward – and protect those who already have – some believe that a model based on financial incentives, akin to that adopted by the US in 2010, could help bring wrongdoing to the surface even more effectively.

Lewis disagrees, maintaining that the main reason such a model is required in the States is the absence of employee protection measures.

"The US model has to be taken in context," he says. "They don't have strong trade unions, and in some sectors those who lose their job for being a whistleblower are unlikely to be employed again. In theory, employment protection means whistleblowers should not suffer like that. Through my contact with whistleblowers, I've found that most would be horrified if it was suggested to them that they reported something because there was a reward available.


"They're not interested in that. They suspect wrongdoing and want it investigated, because they fear there is an inefficiency that could harm both the

company and themselves. Indeed, I think a statutory reward scheme could be negative – it implies that whistleblowers are motivated by money rather than the desire to have the wrongdoing rectified."

BEHIND THE HEADLINES

The tide for whistleblowing in the UK seems to be turning. Whereas the phrase had mainly negative connotations in the media just a decade ago, we now see neutral and often positive news stories. And, while high-profile cases can raise concerns across the industry, many organisations are clearly keeping the benefits of an open and supportive whistleblowing culture in their sights.

"As far as I'm concerned, the bottom line is culture, not law and scandals," Lewis adds. "A positive and open culture can be fostered, and within some organisations it's very well promoted.

"Press coverage often relates to cases where whistleblowing has gone wrong. With internal reporting processes in financial services, I suspect there is an awful lot going right." 

As the Chartered Banker Institute prepares to launch its new whistleblowing membership service, we report on the pioneering problem-sharing technology turning the web on its head.

A PROBLEM shared...

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“Wouldn't it be amazing if people could say anything?” This was the thought that inspired IT specialist Neil Chandler to create his brainchild, the completely anonymous self-expression website Cathartic, three years ago.

Having spent almost two decades working for some of the world's largest financial institutions, Chandler identified a need for a platform which would allow people to share their worries in a secure, non-judgemental and anonymous environment.

“For most people, talking about their problems is a way of offloading things that have been niggling at them, whether it's something that's happened in their lives, something they're going through personally, or work-related concerns,” says Chandler.

This service just provides a framework and another resource to the wider membership community if they feel they need to speak up.”

REWIRING THE WEB

While the idea was straightforward, developing the technology behind Cathartic proved significantly more complicated. It involved, as Chandler explains, essentially 'un-building' the internet.

“I looked at the existing technology out there and modified it to build an anonymous platform, which meant building everything from the ground up,” he says. “The internet is based on tracing people. It inherently wants to know everything about you for advertising purposes, so what I had to do was reverse-engineer bits of technology to ensure complete anonymity.”

This dismantling and painstaking


that if the user loses their case number they would need to raise the case again. Not even the staff maintaining the site have access to any user information, says Chandler.

A STEP IN THE RIGHT DIRECTION

One of Cathartic's key strengths is its ability to connect users with useful resources and relevant support providers such as highly specialised charities. And, while the whistleblowing service will be unable to process disclosures, the platform will act as a signpost to useful resources and provide guidance on next steps.

The Institute, which hopes to launch the new service this autumn, is now appealing for support from members of the finance community to take the initiative forward.

“It's critical we get the right people to support us in developing the framework and rolling out the initiative to our members. We're looking to connect with Fellows or members the Institute who are perhaps retired from the profession, but have experience in compliance, regulation or human resources. This removes any conflict of interest. Training and guidance will be available to equip the volunteers. We'd also like support from anyone interested in helping to develop the governance of the whistleblowing framework.”

While the challenge to bring whistleblowers out of the shadows is ongoing, innovative platforms such as this are no doubt a step forward in giving them a voice – and someone to hear it. 

“IF YOU WANT TO TALK ABOUT ANYTHING PROPERLY, YOU HAVE TO BE TRULY ANONYMOUS. IF NO ONE KNOWS WHO YOU ARE, YOU CAN SAY ANYTHING YOU LIKE.”

“Talking is often the first step on the road to recovery. After looking at it from a technical perspective, I concluded that if you want to talk about anything properly, you have to be truly anonymous. If no one knows who you are, you can say anything you like.”

NEW WAY TO SPEAK UP

The technology has now been adapted as part of the Chartered Banker Institute's new whistleblowing membership service, aimed at providing an alternative route for members to air professional concerns and receive signposting to support making disclosures.

Joanne Murphy, the Institute's Director of Operations, believes it is vital for banking professionals – and the wider industry – to have appropriate options available to report wrongdoing in the workplace. “The Institute is the industry's professional body and, in our role in supporting the public interest, it's really important to ensure that our members have somewhere they can go if they feel they want to discuss whether a professional ethical dilemma should be reported, or they feel they aren't getting anywhere through traditional routes,” says Murphy. “It will also provide an alternative if employees feel for some reason that they can't raise the issue internally.”

“Whistleblowing is so sensitive and can potentially mean the end of someone's career, so it's understandable that people are sometimes nervous about coming forward. Often the issue can be resolved relatively easily.

rebuilding of technology led to the creation of a platform quite unlike any other, which uses none of the traditional methods of logging in and can't even trace where a user accesses the site from.

A case number linked to each story is the only detail logged, but the site is so anonymous





“

The difficulty lies not so much in developing new ideas as in escaping from old ones.

”

– John Maynard Keynes



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Building momentum

In its first year, the Women in Finance charter has proved to be an important agent for change in a sector looking for measurable improvements on diversity and inclusion. The time for talk is now over, explains HELEN KING.

Last summer, a *Chartered Banker* magazine Special Report titled 'A Fairer Future' explored the implications of the newly launched Women in Finance charter, from the business case for promoting women up the talent pipeline to how unconscious biases can block gender parity.

One year on, financial institutions have embraced the charter with such enthusiasm that more than half of the sector's employees are now covered by its framework.

But with some debate continuing about the small print – particularly around targets being linked to executive pay, for instance – what progress has been made in the charter's inaugural year?

A SECTOR IN TRANSFORMATION

Making the right noises, but not acting on them, is no longer enough, says Heather Melville, Chair of the Chartered Management Institute and Lead of CMI Women. But, she stresses, the detail is actually less important than what the charter stands for – an active commitment to improving diversity in the workplace.

"This charter is about transforming the banking industry, so it becomes more sustainable and trusted, and reconnects with the communities it serves," she explains.

"This is now about much more than opportunities for women – it's about values for people throughout these organisations."

BEYOND THE BUSINESS CASE

While there is no longer any doubt about the business case for promoting diversity, says Vivienne Artz – President of Women in Banking and Finance – delivering measurable results has been more difficult.

"There has been plenty of 'feel good' talk about best practice, but the charter is the first initiative which has done more than simply raise awareness," she explains. "It is the setting of targets which is making organisations examine this issue with a factual, critical eye."

Many banking institutions have been working to improve diversity and inclusion

in their workplaces for ten years, highlights Jon Terry, PwC Global Financial Services HR Consulting Leader. "But other areas such as asset and wealth management or insurance firms are only now just beginning to look at this issue. These organisations do not yet have the clear strategies and policies – and the HR processes to support them – in place." For these firms, the charter is proving to be a great starting point, he says.

Indeed, by translating the challenges into easily intelligible business language, the charter is keeping gender diversity at the heart of boardroom conversations, Terry points out.

Once signed up to the charter, organisations must set and meet targets which are linked to executive pay. This means progress must also be monitored. "When gender diversity policies are put in place, firms have to continue to pay attention to them," he says.

This, he warns, is not a quick fix, however. "This is a multi-generational challenge and

They have daughters who are finishing tertiary education or wives who want to get back into work, and they want them to have fair opportunities as their careers progress. These individuals have a very important role to play in driving cultural change at the top of these organisations."

Women can also undermine themselves along the way, however, adds Melville, because many still have an inner voice that tells them they can't have it all. "They doubt they can take on the long hours required in areas such as investment banking and have a family," she says. "But women will continue to have babies no matter what. And, while some organisations are working on this – I did recently see one (though this wasn't a financial services company) advertising that it offers female employees an opportunity to freeze their eggs – most have a better understanding of the challenges."

The cost of childcare remains a deterrent for some mothers considering their return to

"BY TRANSLATING THE CHALLENGES INTO EASILY INTELLIGIBLE BUSINESS LANGUAGE, THE CHARTER IS KEEPING GENDER DIVERSITY AT THE HEART OF BOARDROOM CONVERSATIONS."

must be followed up with cultural change at key decision-making moments – a policy doesn't do that," he says.

RESTORING THE BALANCE

Melville, who is also the Founding Chair of the RBS Focused Women's Network, expands on this concept, saying that the charter is just as much about men as it is about women, despite its title.

According to PwC research, gender assumptions and stereotypes remain the most significant barriers to hiring experienced women for 35% of male and 45% of female executives responsible for diversity.

"Men still dominate at the helm of financial services organisations; however, these are people who now know the importance of diversity in the workplace.

work, so providing a flexible working environment which focuses on the needs of both women and their partners means that childcare can then be shared.

"Neither has to then sacrifice their career or miss out on spending time with their children," Artz points out.

Melville concurs: "Responsibility for children is shifting and being shared between both partners. This means younger people – particularly men – are much more interested in working for an organisation which offers flexibility."

THE RISK OF INEQUALITY

PwC research shows that if firms do not embrace diversity, talent will move to other

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more flexible, progressive organisations – or sectors. Again, men have an important role in driving change.

A new generation of talent is now rising up the ranks with very different expectations of corporate behaviour, says Artz. Organisations which show that diversity is at the heart of their business will be seen as an employer – and provider – of choice.

“Every initiative designed to help women progress in their careers will actually benefit all employees. Returner programmes, for instance, not only help women retain confidence in their ability to do their job, and do it well, but will do so for anyone who has been off work for any reason, from illness to study.”

Artz adds that an important strategy for businesses looking to retain female talent is to keep in contact with women who are away from the workplace while on maternity leave, so they remain part of the business community and are aware of changes to both the organisation and the industry.

Terry goes further, saying he is irritated when people blame women for inequality in the workplace.

“When women are given the tools they need to be more effective in meetings, challenge colleagues over pay or determine how they return to work after maternity leave, the whole business benefits,” he says.

“The real issue is that decisions are still, in the main, made by white, middle-aged men – like myself – in the moments that matter.”

Melville similarly points out that men have a vital role going forward in strengthening the diversity agenda.

“It is about giving women better opportunities, but also engaging male leaders to become change agents – so they are part of the journey with us,” she suggests.

This includes telling the stories of key role models, she says. “Take Virgin Money CEO Jayne-Anne Gadhia, for instance, who led the industry review. She has written an inspirational book which candidly describes her battle with postnatal depression. But she

is transparent about the challenges, and how she overcame them – including the men who have helped her on her way.”

TIME TO TALK

The Women in Finance charter is also an example of what can be achieved when there is good dialogue between industry and government, in this case the Treasury, according to Paul Chisnall, Executive Director of Financial Policy & Operations at the British Bankers’ Association.

“The charter works because it builds on pre-existing banking and finance initiatives aimed at improving the pipeline into senior management positions. It’s a prime example of how government and industry can co-operate and create a better vehicle for accelerating the pace of change.

“In the end,” Chisnall concludes, “it is not about gender; it is about achieving a generational shift in career paths for all.

In Germany, you’ll see the focus is on social mobility, while in other countries it is about ethnicity. Here in the UK, we have begun this important journey with Women in Finance.”

KEY TAKEAWAYS

Women in Finance charter – one year on:

- 122 organisations have voluntarily signed up
- Almost 50% of financial services staff in the UK are now covered
- Includes 30 banks, which is 80% of the banking marketplace, and represents 350,000 jobs in the UK
- 77 financial services firms have committed to having at least 30% of women in senior roles by 2021
- 23 firms have committed to a 50/50 gender split by 2021.



CHALLENGING THE MODEL

New entrants have a unique opportunity to build diversity and inclusion into their corporate DNA. So how have ‘challenger’ brands performed since the introduction of the Women in Finance charter?

CHALLENGER ONE: TSB

As one of the first signatories to the Women in Finance charter, TSB has already hit the government’s target for 33% of board members to be female by 2030.

“It is about sustainable, long-lasting gender inclusion in every part and at every level of the bank. In fact, with 40% female board members, we are already exceeding this target,” says Helen Rose, TSB Chief Operating Officer and Executive Sponsor for Gender.

“We aspire to have between 45% and 55% of all senior roles at TSB held by women, and have already grown the proportion of senior female partner roles, from 37% when we launched in 2013, to 41% today.”

Customers are changing, and a workforce should reflect this, Rose believes. “Women are said to influence 80% of buying decisions and, by 2025, they are expected to own 60% of all personal wealth,” she explains.

So, it is perhaps no coincidence that TSB has received external recognition, such as making number nine in the ‘Sunday Times 2017 Best Companies to Work For’ list.

CHALLENGER TWO: CLYDESDALE & YORKSHIRE BANK (OWNED BY CYBG)

CYBG has a range of diversity and inclusion initiatives but these continue to evolve, according to Kate Guthrie, Group Human Resources Director, CYBG.

“This year, we are launching new leadership standards that clearly expect our leaders to be inclusive; we are also introducing a new set of values and behaviours with inclusion running throughout, reinforced by a much more progressive performance management approach.”

Guthrie says that organisations are now looking much more systematically at where the flow of female talent breaks down and addressing the issues.

“One consequence of this is likely to be more work around family-friendly policies and getting more balance in parental leave. I would like to think that there will come a point in the future when a charter like this isn’t needed because gender balance simply becomes the norm.”

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THE POWER

As HSBC joins other high street banks in introducing new gender-neutral titles for its customers,

The issue of gender neutrality in banking has been in the spotlight lately with a number of banks making changes to their processes when it comes to customers choosing how to identify themselves.

Gender neutrality means different things to different people but it's important to make the distinction that it's about how people identify in terms of gender rather than it being confused with sexual preference.

Many people in the UK identify as being gender neutral or non-binary, and don't consider themselves to be male or female. Customers can now select from a range of different gender-neutral titles at the four major banks in the UK – Barclays, HSBC, Lloyds and NatWest.

BANKING FOR ALL

Metro Bank is another organisation which has introduced a gender-neutral title for customers. Its decision was prompted when a member of staff saw an interview with someone who was gender neutral and was having difficulty opening a bank account using a non-binary title. They were being forced to select either 'male' or 'female'.

Metro Bank's Chief People Officer, Danny Harmer, was determined to take action. "Everyone was on board internally as it's about doing the right thing for customers and colleagues and the company ethos of having 'no stupid bank rules'," she says.

In the case of NatWest, it was about listening to feedback from focus groups. Marjorie Strachan, NatWest Head of Inclusion has taken a slightly different approach. "Focus groups led us to introducing 'Mx' and we've removed the

need for our customers to tell us their gender when they apply for online banking facilities," she states.

PREFERRED PREFIX

The most widely used gender-neutral title is 'Mx' which is also recognised by the UK government. The introduction of 'Mx' by NatWest in 2014 and Metro Bank in 2016 in addition to existing gender-neutral titles such as Dr and Professor has been widely welcomed by LGBT and equality campaigners.

HSBC the company has introduced 10 gender-neutral titles. Stuart Haire, Head of Retail, UK, explains more about the reasons why. "We worked closely with the transgender community to ensure we reflected their needs and so that they are able choose the title that actually suits them. These new services have been well received by our customers and we are proud to be able to help our transgender customers feel supported and

included with these changes," he states.

Lloyds recently announced that it is looking to widen the number of prefixes available as part of its inclusion policies.

One bank that isn't planning to add to their choice of gender-neutral titles at the moment is Metro Bank. "Our customers don't want us to make an assumption about their gender. We have no immediate plans to offer other gender-neutral titles, but we'll monitor that based on listening to feedback," says Harmer.

The fact that there is now a choice for people who identify as gender neutral is a

"OUR CUSTOMERS
DON'T WANT US TO
MAKE AN ASSUMPTION
ABOUT THEIR GENDER."

HSBC'S GENDER-NEUTRAL TITLES

- Mx, pronounced "Mix" or "Mux"
- Ind, an abbreviation of individual
- M, an abbreviation used in France
- Misc, an abbreviation of miscellaneous
- Mre, for "mystery"
- Msr, a combination of Miss and Sir
- Myr, used in other parts of the world
- Pr, an abbreviation of person, pronounced "per"
- Sai, pronounced "sigh", used in Asia
- Ser, pronounced "sair", used in Latin America.

OF CHOICE

JAMIE GRAHAM considers the importance of defining gender in access to financial services.

positive step. "Individuals shouldn't be forced to make a choice they don't identify with."

INCLUSION MATTERS

Banks have fared well in the most recent Workplace Equality Index published by Stonewall with Lloyds Banking Group being named 'Employer of the Year' for 2017. The Index showcases the best employers for LGBT staff in the UK.

Marjorie Strachan, NatWest Head of Inclusion, feels the banking sector as a whole is making an impact. "The big banks are relatively innovative in this space,"

she says. "If you look at the Stonewall Index and who the champions are, there are a lot of big banks. We're number 13 in the top 100."

While there is still work to do on equality, gender and LGBT issues across the industry, inclusion is clearly something that's high on the agenda of many retail banks. Important initiatives in this area focus on colleagues as well as customers to make sure everyone is made to feel accepted and welcome.

"Inclusion has become more mainstream," Strachan adds. "While it used to perhaps be the role of the HR team, it's now more about how we do good business."

BEYOND BOX TICKING

There's more to gender neutrality than providing customers with a box to tick.

The way banks speak to customers and colleagues is also important.

In the case of Metro Bank, this involved updating internal resources about how colleagues should speak to

people identifying as gender-neutral when they come into branches and how colleagues communicate with gender-neutral employees.

Something as simple as using the right pronouns when talking about a gender-neutral customer or colleague can make a big difference. For example, using 'them', 'they' and 'theirs' rather than 'he' or 'she', or simply using the person's name rather than a title, will usually be more appropriate."

IMPACT ON RISK

Doing the right thing for customers by giving them a choice they're comfortable with is a positive step. But do gender-neutral titles have any impact on risk when considering applications for products such as credit cards and personal loans?


Implementing gender-neutral titles involved discussions with the risk teams at Metro Bank and NatWest. In the case of Metro Bank, Harmer was determined not to see regulation as a barrier to change.

**"IMPORTANT INITIATIVES
FOCUS ON COLLEAGUES
AS WELL AS CUSTOMERS
TO MAKE SURE EVERYONE IS
MADE TO FEEL ACCEPTED AND
WELCOME."**

"The risk and regulation that surrounds banking probably limits innovation sometimes," she says. "We try to think about the spirit of regulation and what the outcome should be. The majority of people identify as either male or female so someone's sex is not a particularly secure way of keeping people's money safe."

Taking a simpler approach to the bank's risk appetite is high on the agenda at NatWest.

Like Metro, NatWest recognises gender change isn't necessarily a 'red flag' from a money-laundering perspective. "We no longer ask our customers to tell us their gender when they apply for online banking facilities," says Strachan.

"It's within our risk appetite not to ask for that any longer because it never posed much risk in the first place." 

Is digital driving **DEBT?**

Digital payments offer an easy alternative to cash, but they are causing a psychological disconnect between customers and their account balance. Do banks have a responsibility to ensure that money does not become an abstract concept?

In 2017, it is by no means unusual to arrive at your desk on a Monday morning without having opened your wallet; you might swipe your contactless card to get the tube, take a pre-scheduled Uber ride and pick up a quick breakfast using Apple Pay. So far, so convenient.

Cash does remain in regular use, but recent research from Mastercard noted the shift towards electronic payments. More than two in five British people (44%) stated that they were ready to give up cash if card payments were accepted everywhere, the study found. This figure is highest among younger generations,

“Paying digitally does distance us from the value that we attribute to physical cash.”

with 62% of 25-34-year-olds ready to ditch cash and 53% of those in the 16-24 and 35-44 ranges.

Unsurprisingly, one of the primary motivations for the two out of five (41%) who prefer cards to cash is the safety and security of simply being able to cancel a lost or stolen card. But whatever the motivation, paying digitally does distance us from the

value that we attribute to physical cash, says Claudia Hammond, psychology lecturer, award-winning broadcaster and author of *Mind over Money*.

BEYOND FACE VALUE

Our relationship with physical cash is a complex one, explains Hammond. “Our belief in the value of money – be it a piece of paper or metal – is so deep-rooted that neuroscientific studies have recorded activity in the reward system of the brain when it is given to individuals *and* also when it is promised in the future.” While other offerings like chocolate or wine trigger activity when presented, the notion of receiving them in the future does not trigger the same response.

She also cites studies following people’s

supermarket shopping for a year, with half paying by card and half by cash, which have found that those who pay in cash spend less than those using a card.

THE PAIN OF PAYING

This is because, while counting out cash can be psychologically painful, paying with credit “decouples the hedonistic pleasure of

consumption from the pain of paying,” says Dr Niro Sivanathan, Associate Professor of Organisational Behaviour at London Business School. “Paying with contactless and other seamless digital payment methods reduces the psychological friction by anaesthetising the pain that accompanies payment.



MONEY MANAGEMENT

Research commissioned by financial technology firm Intelligent Environments found that 80% of parents introduced their children to digital money management at a young age. It found that 28% pay their children in digital currencies for use in gaming communities and 34% transfer a weekly amount into their children’s digital banking accounts.

But are children who are growing up with in-app purchases, Apple Pay and digital



pocket money at risk of failing to grasp the value of money? “Logically speaking, tapping or swiping to make a purchase

removes us from the cost of making a payment; it essentially gamifies the process of consumption,” says Sivanathan.

Just as with adults, it is the behavioural cues that make the difference. “It depends on the structure parents have put in place,” Hammond agrees, “and whether the child is free to click and pay, or must first gain permission.”

Unrestricted access to any kind of spending is likely to devalue the concept of money, whether digital or cash, concludes Sivanathan.



“Removing symbols or reminders of units of currency can increase our willingness to spend.”

“Regardless of how sophisticated and switched on people are, the scientific studies consistently demonstrate an increase in spending as a result of the reduction in psychological pain that accompanies purchases via credit cards.”

While this may not prove problematic for what is inevitable spending during the daily commute, Sivanathan’s research in the area, conducted with co-author Nathan Pettit, goes on to suggest that this decoupling increases the likelihood of unplanned spending. And that includes a willingness to pay more for high-status, luxury goods and splashing out on non-essentials.

LACK OF KEEPING TRACK

Research has also shown that, when asked to recall the total of their shop, consumers who have paid using contactless are often unable to, says Hammond. “One of the reasons for this is that paying with cash forces you to

engage cognitively with the process; you have to mentally work out which combination of coins or notes to hand over to reach the total, rather than just tapping a card.”

This has a knock-on effect. “It may sound obvious, but, when using contactless, a customer will probably be able to deduce that a purchase they have made was under the £30 limit, but when tallying up the day’s spending they are unlikely to be as accurate as if they checked what remained of the £50 they withdrew earlier that day.” When you don’t have such obvious markers, it follows that you may not notice costs adding up, she says.

This becomes more of an overt ethical quandary when you consider potential health issues, such as excessive drinking using contactless beer pumps. “If it is necessary to walk down the street to the nearest ATM to buy your next drink, you may decide that it is time to call it a night, but if

you don’t even have to queue to continue drinking, it’s very easy,” says Hammond.

BEHAVIOURAL ‘NUDGES’


But physical health is not the only matter at stake. Banks must balance providing the quick and convenient payment methods that their customers now expect, with behavioural cues to help protect their financial wellbeing.

In some instances, ‘decoupling’ may be helping companies to profit – to their customers’ financial detriment,

Sivanathan points out. “In casinos, for example, one of the reasons that they provide chips rather than stacks of money is security, there’s no doubt about that. But we also know that it dulls our awareness of the real-world value that we are risking.” Removing symbols or

reminders of units of currency can increase our willingness to spend, he says.

This is where opportunities lie for banks and FinTechs to harness the benefits of the Competition and Markets Authority’s Open Banking final order and work together to provide better ways for their customers to manage their money. “Text alerts can work well,” says Hammond, “but customers must proactively set them up, and they only cover one account.”

Likewise, new apps allow customers to aggregate account data in one place, but the security of providing login details to a third party is questionable – and the data they can access is limited. Digital banking has become a linchpin of customer loyalty, and the advent of Open Banking is the next big opportunity for institutions able to deliver sophisticated, trusted solutions that draw useful insight from past and present data. 

UNLOCK the door to DATA

Open Banking and PSD2 have been hailed as both a threat and an opportunity for retail banks, potentially levelling the playing field for new digital entrants. What does Open Banking mean for the average person? And how can incumbent banks make the most of this opportunity?

Open Banking is widely hailed as a powerful, positive and ultimately revolutionary development in the industry. Initiated by the Competition and Markets Authority (CMA), the hope is that the development of an Open Banking 'ecosystem' in the UK will dramatically improve competition and innovation, to the benefit of personal and business banking customers.

Personal and small business customers will be able to share their transaction data securely with other banks, and third parties, making it easier for them to compare products and switch to better deals based on their own financial circumstances. Eventually it might mean being able to manage their accounts without having to use a bank.

Yet, nine out of 10 Britons have not heard of Open Banking, according to research from consumer and business insights expert Equifax. While they are the intended beneficiaries, the question remains – will they trust it? And what does it mean for their relationship with their bank in future?

TAKING BANKING TO A NEW LEVEL

The impact of Open Banking goes well beyond the CMA's original order that focuses on competition and switching in the current accounts market. The opening-up of customer transaction data means that "both banks and third parties may soon be able to

offer new, tailored propositions to help customers control their finances, such as money management and budgeting tools," notes Neil Tomlinson, Head of Banking at Deloitte.

"There is further potential for banks and third parties to offer personalised rewards





“OPEN BANKING CREATES A WHOLE NEW LEVEL OF COMPETITION, MOVING THE MARKET AWAY FROM THE TRADITIONAL CUSTOMER RELATIONSHIP BASED ON OWNERSHIP OF DATA.”

and offers at merchants based on customer transaction history. These developments may ultimately lead to customers performing all their banking activities at different banks via a single user interface, which may be owned by incumbent banks, FinTechs or other third parties,” Tomlinson continues.

Paul Horlock, Nationwide Director of Payments, agrees that the implementation of the second phase relating to PSD2 will give rise to innovative new ways for customers to manage their bank accounts and their finances in the future, and to new third-party players in the market.

“With the customer fully in control of their own data and activity, they could port their transactional banking relationship to another provider without actually changing accounts. In effect, it creates the ability for a service provider to service an account without having to own that account.

“A customer might choose to manage the current accounts they hold with various banks through a third-party service, giving it permission to access those current accounts via the API, view transaction data and undertake transactions for them. So, it creates a blended version of the transaction account in a way that’s flexible and suited to the customer.”

Of course, existing apps such as Curve already allow users to view all transactions on their various bank cards in one place, using a technique called ‘screen scraping’. In these cases, the third-party app requires users to part with their credentials to log in on their behalf.

Open API is different, explains Horlock. “It will provide a safe and secure way for customers to access their data without having to give their credentials away. The richness and functionality of the data available through the API is much better too. While screen scraping allows the customer to view transactions, open APIs will also allow them to trigger transactions.”

BRAVE NEW WORLD OF BANKING

While the indications are that the average person is not aware of these developments, the Open Banking ‘ecosystem’ currently is still in development and the industry itself is still

exploring the shape of things to come.

Whether customers take to this innovative approach is another question – given growing public unease over big data mining,

gaining their trust may take time. The average account user might be wary of yet another aspect of their personal online lives being open to algorithms and the uncanny personalisation they experience with, for example, Facebook advertising.

There may also be a concern that open standard data sharing brings the risk of security breaches and unprecedented cyber

continues over >>

continued >>

threats. The implementation entity Open Banking is quick to reassure that APIs and standards will be built on a ‘security first’ basis, and that the trust of the customer is at the heart of its planning and production.

This will extend to creating, alongside UK regulators, security measures and governance structures for organisations accessing and using customers’ accounts. “We will also ensure that customers are fully protected against privacy and security risks and fully informed of the potential benefits and risks of sharing their financial information with third parties,” the body states.

Though government-backed reassurance will hopefully encourage public trust and credibility, it will be the responsibility of banks and third-party players to ensure security, and to communicate the benefits to their customers effectively.

Horlock confirms that “the secure ecosystem of APIs and the controlled process of registering the third parties who have been certified through the FCA will hopefully provide a much safer, more consistent, more predictable experience for the customer.”

REDEFINING RELATIONSHIPS

So, if retail banks no longer own their own customers’ transaction data, and those

customers are able to turn to a third-party provider to manage their transactions, where does that leave the banks’ relationships with their customers? And how do they set themselves apart?

“There is a risk that banks lose ownership of the customer relationship,” confirms Horlock. “Open Banking creates a whole new level of competition, moving the market away from the traditional customer relationship based on ownership of data.”

However, that risk should be viewed as an opportunity, he continues: “Open Banking provides banking institutions with just as much scope for innovation as it does for third parties – it gives us the opportunity to tie together different services and build on the relationship of trust we already have with our customers.

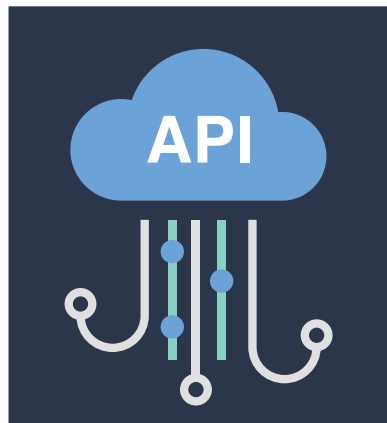
“By accessing the accounts and data they hold elsewhere, we can help our personal banking customers, many of whom have rather complex financial lives – for example, current accounts and

savings with various banks and a mortgage with a different provider. Many believe they would welcome the ability to see and manage all of those via a single interface provided by their trusted banking provider.”

There is also the potential for budgeting and money management tools, real-time nudges and behavioural updates to help customers keep track of their finances better. Horlock identifies great potential in a banking institution such as his helping its younger families who face a complex range of budgeting and money management challenges.

“If we can provide them with more flexibility and a realistic way to help them manage their money, that’s what we want to do. If we can tie together more opportunities for them through Open Banking, that’s a really good opportunity for Nationwide to meet those needs.”

Open Banking access would also allow banking institutions to build a detailed financial profile of an individual customer across all the products and providers they use, paving the way to offering them highly personalised services, rewards and incentives.




STAYING IN THE GAME

So, while the adoption of Open Banking meets a regulatory requirement,

it also opens the door to the creation of cutting-edge personal and business finance management tools. Exactly what these would look like is unclear, as banks and other stakeholders explore the potential of the new ecosystem.

“There won’t be a big explosion come January 2018,” Horlock reassures. “It will be a staged process as we explore ways to help customers become comfortable with it and then start to offer personalised services in a new way.”

The challenge for banks and building societies, as things become clearer, will be to communicate the benefits and new propositions positively, while reassuring their customers that the system is safe, secure and to their advantage.

Banking institutions do need to innovate rapidly so that they can meet their customers’ new-found desire for flexibility in managing their money. They’ll need to leverage the strength of the traditional customer relationship to stay in the game and remain their customers’ first port of call for financial services. 

INSIDE OPEN BANKING

Open Banking means third-party providers are now able to see customers’ transaction information and, as a result, offer more competitive products and services.

This industry-wide digital sharing of non-confidential customer transaction information is done securely via open standard, open Application Programming Interfaces (APIs). Its alignment with Payment Services Directive 2 (PSD2) also facilitates the development of innovative digital banking solutions that allow customers to manage transactions on accounts held with different providers through a single interface.

CUSTOMERS BACK IN THE FRAME

This initiative was an outcome of a Competition and Markets Authority (CMA) retail banking market investigation which began in mid-2013. Its final order was published in February this year and set out a number of remedies, one of which is the development of Open Banking.

The implementation body known as Open Banking Ltd was created in October 2016 to develop and deliver a framework to underpin the UK’s Open Banking

‘ecosystem’, such as the API, security and messaging standards. The body includes nine banks and building societies, mandated by the CMA, namely Allied Irish Bank, Bank of Ireland, Barclays, Danske, HSBC, Lloyds Banking Group, Nationwide, RBS Group and Santander, as well as challenger banks, FinTechs, third parties, consumer groups and other stakeholders.

CHANGE ON A ROLL

The UK Open Banking framework is being developed and rolled out in two stages. The first, which went live in March this year, makes information available on ATMs, branches, personal current accounts, business current accounts and unsecured lending for SMEs, and commercial credit cards.

The second stage, aligned to PSD2, will allow account holders to give authorised third parties consent to access their bank accounts, extract statement information and initiate payments, without having to use their banks’ online services. It will go live in January 2018.

Recognising TALENT



The Institute is pleased to congratulate all those members who appeared in our recently announced list of academic prizewinners.

In addition to running the UK-wide Young Banker of the Year competition (see page 37), the Institute awards a number of prizes each year to graduates who have attained exceptional results in their examinations.

DIPLOMA AND CERTIFICATE PRIZES

(Incorporating all specialist and bespoke qualifications)

Commercial Property

Stephen James Marrow, Secure Trust Bank

Complaint Handling

Charlotte Green, Santander

Credit Union Principles and Practice

Peter Henson, No1 CopperPot Credit Union

Financial Crime and Money Laundering

Victoria Gee, Financial Ombudsman Services

Introduction to Business Banking

Abigail Cutler, Santander

Introduction to Credit

Diane Dorothy McMillan, Lloyds Banking Group

Introduction to Credit

Abigail Cutler, Santander

Introduction to Credit

Ricardo Melgarejo, Bank of China

Introduction to Risk

Russell Ramcharan, Santander

Offshore Banking Practice

Kerry-Lee Lowe, Guernsey Border Agency

Professional Banker

Robert Taylor, Santander

Team Leadership in Financial Services

Jake Ramsden, Santander

MEMBERSHIP/CHARTERED BANKER PRIZES

(Incorporating all specialist and bespoke qualifications)

Applied Business and Corporate Banking

James David Longley, Lloyds Banking Group

Banking for High Net Worth Individuals

Michelle Perry, Barclays

Contemporary Issues in Banking

Bradley Jermy, Lloyds Banking Group

Credit and Lending

Katie Hewitt, Lloyds Banking Group

Retail Banking

Gabriella Lobb, Lloyds Banking Group

Retail Banking

Abigail Coe, Lloyds Banking Group

Risk Management in Banking

Jennifer Harris, Lloyds Banking Group

Sir Bruce Pattullo Prize

Louise Davis, Lloyds Banking Group

Hutton Prize for Professional Ethics

Paul Lawrence Riseborough, Metro Bank

Torrance McGuffie Prize

Naomi Walker, Lloyds Banking Group



Louise Davis
Winner of the Sir Bruce Pattullo Prize (awarded to the candidate scoring the highest average mark in the Chartered

Banker Diploma examinations).

"I'm honoured to receive this award having worked hard to complete the Chartered Banker Diploma over the past two years."

Louise joined the Lloyds Banking Group Graduate Programme in 2014 after studying Psychology at the University of York. Following a first role at Halifax, where she managed branch processes and focused on improving customer experience, she moved into Digital Marketing. Her final placement in Branch Design offered the opportunity to support the redesign of the bank's current and future branch network. Having completed the Graduate Programme, Louise now works in Digital Customer Experience looking after the operations and processes behind customer-facing websites.



Paul Riseborough
Winner of the Hutton Prize for Professional Ethics (a gold medal awarded to the individual achieving the highest mark in

the examination for Professionalism, Ethics and Regulation).

Paul is Chief Commercial Officer at Metro Bank, the first new high street bank in the UK in over one hundred years. He leads the bank's product, digital, change and communications teams. His role focuses on shaping Metro Bank's commercial plan, ensuring the bank delivers products, services and user experiences that customers value.

Prior to joining Metro Bank, Paul held various roles at Lloyds Banking Group and HBOS plc, including Head of Strategy and Planning and Head of Channel Planning in the retail banking team and Business Manager to the Chairman. Paul started his career in consultancy, working for the global policy and economics consultancy Oxford Analytica and management consultancy PA Consulting Group. He was educated at Nottingham, Oxford and Warwick universities and is a trustee of Making The Leap, a social mobility charity. 

THE PEOPLE BEHIND THE PRIZES

SIR BRUCE PATTULLO

The Sir Bruce Pattullo Prize was established through a generous donation given by Sir Bruce Pattullo CBE.

Sir Bruce joined the Bank of Scotland in 1961. He was appointed Manager, Investment Services Department, in 1964 and made rapid progress through the ranks, eventually being made Governor and Group Chief Executive in 1991.

A former Institute prizewinner himself, Sir Bruce was nominated to the Council in 1977, becoming a Fellow in 1978, Vice President in 1978 and President for two years from 1990. The Institute recognised this significant

contribution by conferring him with the first Honorary Life Membership in 1998.

WILLIAM L. HUTTON

William L. Hutton, an Honorary Fellow of the Institute, kindly donated the Hutton Prize for Professional Ethics. Hutton completed the Institute examinations in 1957 and then left banking in 1964 to work in the pharmaceutical industry in Africa.

In 1976, he set up his own business consultancy. This was based in Kenya, but practised in various parts of the world. He is qualified as a Certified Fraud Examiner of the US Association of Certified Fraud Examiners.

GROW YOUR ONLINE

NETWORK



LinkedIn is the largest professional networking site available today, reporting more than 500m users in over 200 countries and territories in April 2017.

But the popular platform offers more than just a means to connect and stay in contact with millions of users; it is also a leading tool for helping individuals to expand their networks, exchange knowledge and ideas – and find relevant jobs in their field.

LinkedIn allows you to:

MARKET YOURSELF

LinkedIn helps you to reach a much wider audience and publicise your experience to recruiters, organisations, existing connections and specialist groups.

Make sure you aim for an ‘all-star’ completed profile. Recommend and endorse your connections’ skills, past work or projects; it’s a two-way system.

STAY UP TO DATE

LinkedIn helps you to find groups and experts to learn from and engage with. By joining groups that you are interested in, you can ask questions, share knowledge and experience and learn more about current news and thinking in your industry. Follow companies and influencers and let the information come to you. Use a learning library to enhance personal development (*only available with Premium access*).

RECONNECT

As well as searching for jobs and opportunities to support your career development. You can use LinkedIn to find people by keyword, title, industry, location, company, function, experience level and more. You can also reconnect with people by searching for your school or university.

Tip: when sending an invitation to connect, always include a note explaining why you want to connect and how the other person can benefit from your contact – it can reduce your chances of being ignored.

“LINKEDIN HELPS YOU TO MARKET YOURSELF TO A MUCH WIDER AUDIENCE.”

BUILD YOUR PROFILE

1. Introduction

This is your chance to let connections, employers or recruiters know more about you. It’s an opportunity to market yourself, attract interest and make someone continue reading about you.

- Write a professional and personable summary of yourself
- The profile you have already prepared for your CV may be helpful to use in this section
- Make sure it is tailored to what you are marketing about yourself, your career goals or experience
- Recruiters and hiring managers search by keywords, so add as many relevant ones as possible e.g. Manager | Change | Project | Financial Services or Head of Global Sales and Business Development | Financial Services | Mentor.

2. Photo

Always upload a professional, but

personable, photo. Avoid group photos; it’s best to upload a picture that is just of you.

3. Contact information

- Include as much contact information as you feel comfortable sharing. Ideally include a personal email address
- Change your LinkedIn profile URL to a personalised URL (go to ‘Privacy & Settings’, then ‘Privacy’) so it reads uk.linkedin.com/in/firstnamelastname. You can add this URL to your email signature and on your CV
- **Do not** add your full date of birth. Month and date is fine, not the year you were born.

4. Experience

- Add an overview or one or two sentences about your position at each company you have worked with. In some cases, you may also want to explain what the company does/did
- Be sure to add correct dates as well as connect each employment to the right

TERESA ROBERTSON explains how to use LinkedIn to build and engage with your professional network.



KEY FEATURES

HOME PAGE

Get to know your Homepage well and view it daily to stay up to date with the latest news in your network. Some of its great features include:

- LinkedIn Today – news featured by LinkedIn
- Network activity updates – including newly formed connections
- Suggestions of people you may wish to connect with, influencers you might want to follow or groups you may like
- Information on who has viewed your profile and updates/posts
- Jobs you may be interested in.

SHARING

- Sharing articles or updates is a great way to inform people about your own updates and whether you are looking for new opportunities
- LinkedIn is not Facebook, so keep your updates professional, work-related and non-offensive

- More likes mean more visibility, so get creative with your content
- 'Like' and 'share' information that you find on your Homepage. It may benefit others in your network and increase your visibility.

COMPANIES

Follow companies you are interested in to:

- Receive their updates on your Homepage
- See how many connections you have linked to that company
- Check for vacancies in the 'Careers' tab
- Find out which similar companies or competitors other people viewed
- Research a company and its key personnel
- Get live updates from the company – this can be great preparation for an interview.

JOBS

Employers and recruiters use LinkedIn to advertise jobs or to search for potential candidates. You can:

- Search for jobs on LinkedIn
- Save (i.e. bookmark) jobs that you would like to apply for
- Review the profiles of hiring managers and discover if any of your own contacts can introduce you to them
- Follow different companies and receive notifications about new jobs.

GROUPS

- Join relevant groups by searching by keyword.
- Select which groups are displayed on your profile and in what order
- Connect with members of the same group
- View their activity feed within the group and like posts they have added
- Engage in group discussions to raise visibility.

company page (when the logo appears on the right you know it has worked)

- Use bullet points below the description if possible to demonstrate evidence of competencies, skills and achievements.

5. Skills and endorsements

- You have the opportunity to add Skills & Expertise to your profile. These skills should reflect and combine your wealth of expertise and experience that you possess. You may have already mentioned some of them in your profile and Specialities
- When adding skills, you are welcoming

your connections to "endorse" your skills, which shows potential employers that other professionals are confirming that you possess these skills.

6. Recommendations

- Ask previous employers, clients and other connections to recommend you on LinkedIn – sometimes connections will do this automatically without you having to ask them
- Leave 14 days in between recommending someone who has recommended you
- Avoid back-to-back recommendations

altogether as they devalue the recommendation in the first place as it looks as if you are doing each other favours

- There is no limit on the number of recommendations you receive. You do have the choice of making all or some of your recommendations visible.

Teresa Robertson, Chartered MCIPD, is Business Partner – People, Planning & Communication at the Chartered Banker Institute.

KEY TAKEAWAYS

- Aim for an 'all-star profile'
- Personalise your LinkedIn URL – it looks good
- Do upload presentations and videos you have been involved in – there's space in your profile, under each position of employment

- Add projects or courses to enhance your profile
- Check out 'Influencers' to see what they are saying about the topics you are interested in
- Download the app and use LinkedIn on the go

- Keep an eye out for changes – LinkedIn continually changes and evolves
- Become a member of the Chartered Banker LinkedIn group.



Certified Bank Director

Take your executive education to the next level

A new partnership between the Chartered Banker Institute and the Institute of Banking has brought the prestigious Certified Bank Director Programme to the UK for the first time.

The programme is ideal for:

- Existing executive/non-executive directors, whether new to the role or experienced professionals operating in a rapidly-changing landscape
- Senior banking managers with ambitions to join the board.

The programme comprises **nine modules delivered over ten days** across two blocks of five days' duration each. A panel of subject area experts drawn from academia and industry lead each of the individual modules. The emphasis of the programme is on the application of key concepts to enhance the skills of participants and to create a learning forum where challenges can be explored and wisdom and insights dissected and shared.

An **assessment** is attached to each module to ensure that the learning outcomes associated with the module have been achieved.

FOR FURTHER INFORMATION CONTACT:

Eva Kiss, Admissions and Programme Manager,
Certified Bank Director Programme
(Executive Education) at The Institute of Banking

Tel: +44 1611 6589
E: eva.kiss@iob.ie

The Chartered Banker Institute is the trading name of the Chartered Institute of Bankers in Scotland, the oldest institute of bankers in the world, and the only body approved by the Privy Council to award the flagship Chartered Banker designation to qualified bankers. The Institute of Banking is the largest professional institute in Ireland.

the final COUNTDOWN

Meet this year's Young Banker of the Year contenders who, for the first time, will compete in two live semi-finals in Edinburgh on 7 June and Manchester on 20 June. Four finalists will then proceed to September's showdown at Mansion House, London.



ALEXANDER CHISHOLM
Wealth Manager's Assistant, Coutts

Alexander has worked at Coutts for six years. He is currently a Wealth Manager's Assistant for the Executives' client group, supporting two wealth managers with combined assets under management of over £100m. Prior to this, he spent three years in the Coutts 24 contact centre, taking calls from the firm's varied and unique client base.

Before joining Coutts, Alexander was introduced to the financial services industry through his role as a contact centre worker for HSBC. His previous jobs have included bookseller, charity shop assistant manager and working for the City of Edinburgh Council's environmental services.

He has a degree in sociology from the University of Edinburgh and a postgraduate MSc in IT from the University of Stirling.



JOANNA FINLAY
Product Manager, Virgin Money

Joanna leads the development of the basic banking proposition, drives improvements in customer outcomes and operational efficiencies, and champions financial inclusion for those in our communities who most need help.

Joanna gained experience in business banking, product management and executive support roles at Barclays and Northern Rock before joining Virgin Money as a strategy analyst. She worked for three years in the culture team, engaging colleagues in the mission to make 'everyone better off', and continues to help drive colleague engagement within the commercial function.

She hopes that this competition will help increase awareness of the need for practical interventions for financial inclusion and the life-changing benefits that banking can give to the poorest in society.



ADAM ARNOTT
Group Payments Strategy Manager,
Tesco Bank

Adam works as part of a team responsible for co-ordinating the approach to payment strategy across Tesco Group including bank and retail businesses both in the UK and internationally. His previous role was New Product Development Manager for the bank's credit and debit card products. He first joined Tesco Bank on the leadership graduate programme following his graduation from the University of Strathclyde where he studied Law and English.

Adam is a creative, dynamic and enthusiastic professional with a focus on innovation, business strategy/development and design. He's passionate about political and social issues with a determination to champion ethical finance.

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AMY CLARKE
Senior Personal Banker, NatWest

Amy Clarke manages a small client portfolio at NatWest in Enfield Town. It is her responsibility to build strong customer relationships and help improve their financial position. Amy is ambitious and creative and always looking for new ways the bank can help its customers.

She joined NatWest as an apprentice in October 2015 and has since attained many qualifications including the Professional Banker Certificate and Level 3 Certificates in Providing Financial Services and Professional Banking. Amy has also completed her Advanced Level Apprenticeship in Banking.

She proactively supports charitable causes such as the North London Hospice and the David Sheldrick elephant orphanage in Kenya.



MITHIL SHAH
Business Analyst, The Royal Bank of Scotland

Mithil is a business management professional with over seven years of diverse experience in banking, insurance, training and sales across the UK and India. He is currently on the graduate programme at RBS, working in resolution planning across various departments. This exposure has given him a wide understanding of how the bank is working towards meeting its

vision to be number one for customer service, trust and advocacy by 2020.

He recently graduated with the One Planet MBA from the University of Exeter, giving him a better understanding of how organisations align themselves to changing business environments by creating shared value. Mithil's personal interests include scuba diving and triathlons.



JAKE BROWN
Business Growth Enabler, NatWest

Jake is the face of NatWest in his local business community, connecting new and existing customers with relevant internal and external services to help them meet their growth targets. His work involves organising and participating in business networking/ educational events and forums throughout the Cheshire area.

Jake joined the bank in September 2015 as part of the Operations and Specialist Graduate Programme. He has worked as a change analyst within commercial and private banking services and most recently in the procurement division as a supply chain analyst.



IAN HUMPHREYS
Digital Care Manager, Virgin Money

Ian has worked in the contact centre at Virgin Money for the past nine years. He has supported the team and customers in a number of roles, from complaint analysis and communication development to managing teams of people.


Ian is currently Digital Care Manager, responsible for both the operational and strategic development of Virgin Money's digital customer channels, including social media, webchat and online support. He married his wife, Rachel, last year and is a keen American sports fan.



STACY LAMB
Head of Improvement Strategies, Tesco Bank

Stacy has had an extensive career in banking since joining a graduate banking programme in 2005 on completion of her university degree. She previously worked at HSBC as a branch manager before joining the senior leadership team within the Premier and High Net Worth division.

Stacy has recently been named in 'The Power 50', recognising the most talented individuals in the digital banking industry in Europe.

Stacy is a member of the Women in Business Network and is a mentor to graduates who are embarking on a career in financial services. She enjoys running as well as advocating and fundraising on behalf of Maggie's Charity. 

Raising THE BAR

The winner of the 2016 Young Banker of the Year Award Audience Prize, Liam Gover, shares his experiences from two weeks spent working at the Banking Standards Board.



Liam Gover
2016 BSB Audience Award winner

I believe as an industry we can often get too fixated with individual performances and targets. The industry has a plethora of skilled and competent individuals with different strengths and weaknesses and we should do more to utilise these. The more we work as a team, the more we learn, and the more we learn, the higher our standards will become.

I firmly believe we need this approach at an industry level. Banks need to work together to share best practice and consistently evolve as an industry to ensure that we are providing the best possible experience to our customers.

A FRESH PERSPECTIVE

During my time at the BSB I was involved in looking at consumer outcomes, especially in relation to SMEs. Clarity and transparency were the keywords that kept coming up time and again. Customers want products and services to be simple to understand and priced in a straightforward format. Several banks are investing in this area, making T&Cs easier to understand and improving the delivery channel and approach.

We also examined the competitiveness of the industry and the numbers of customers who switch banking providers – or rather who don't, due to a perception that 'all banks are the same' and 'the process is too complicated and cumbersome'. Customers need to be able

to easily compare different banks and their products so that they can ensure they are getting the best value as well as the product that best meets their needs.

The above work led to us thinking about the changing landscape of banking and where the role of 'relationship manager' fits in. This drove two key questions for me.

- Would customers prefer to pay for an appointed face-to-face relationship manager or have a free service that feeds them into a call centre?
- How can banks add value when it comes to educating customers around the factors considered when evaluating a lending application?


DEFINING PROFESSIONALISM

Professionalism was one of the most interesting areas I got involved with at the BSB as I'm a huge advocate of professional qualifications in banking, but the BSB's recent Annual Review suggests most staff believe they and their peers have the competencies necessary to perform their job.

So, if people have the skills, is it the decision-making that needs looking at? Can exams improve things or is professionalism, or lack of it, more of a reflection of a firm's culture? I believe both have a part to play

and exams need not focus only on financial analysis competencies – ethics and professionalism are equally important.

The assessment team reinforced the message to me that the BSB is not here to act as a regulator, but exists to challenge and support the industry. This is reflected in the fact the BSB assessment framework is not predicated on what a good culture should look like. Instead it defines nine characteristics that you would expect to be associated with any good culture in a bank or building society that is focused on serving the needs of its customers, staff and broader society. These include responsiveness, respect, accountability and openness.

I wanted to end by saying thank you to everyone at the BSB for making me feel so welcome and how excited I am to be part of an industry that will use the information the BSB provides to raise standards and improve trust in the banking sector. 

"THE ASSESSMENT TEAM REINFORCED THE MESSAGE TO ME THAT THE BSB IS NOT HERE TO ACT AS A REGULATOR, BUT EXISTS TO CHALLENGE AND SUPPORT THE INDUSTRY."

DRIVING STANDARDS

Just over five years since its inception in 2011, the CB:PSB continues to be the driving force in progressing and embedding professional standards across the industry. The initiative's Progress Report 2017, its fifth annual report, shows how it continues to act as a catalyst for putting professionalism on the agenda during a period of change in the banking industry.

When the CB:PSB was formed, discussions about professionalism in banking were few and far between. The Institute and CB:PSB founder firms were the only ones discussing this agenda as a collective.

Nearly six years on, a new regulatory regime is in place and there are other bodies focusing on professionalism. The CB:PSB is no longer a 'special project', but part of a much broader, richer landscape of initiatives and individuals working to drive the professionalisation of the banking industry.

a proud member of a strong professional body is the norm for everyone."

Particular highlights for the past year covered in the Report include an expanding membership of 10 firms as Shawbrook Bank joins the fold, the publication of five years' worth of research on trust and confidence in banking, and the encouraging fact that over a third of the UK's banking professionals met the Foundation Standard in 2016, despite structural changes in the industry.

NOW THERE ARE TEN

The CB:PSB gained a new member in April in Shawbrook Bank, a specialist UK savings and lending bank founded in 2011 to serve the needs of SMEs and individuals in the UK with a range of lending and saving products. This takes the total number of member firms to 10 and demonstrates the continuing desire, from within the industry, to work collectively to raise and maintain standards.

Key findings show 40% of UK adults believe that staff who meet professional standards would make them trust the UK banking industry more. And over half of banking employees believe that the Foundation Standard helps them provide a better service to customers.

CAREER-LONG COMMITMENT

Its flagship Foundation Standard remains an important focus for the CB:PSB. In 2016, nearly 145,000 individuals – 36% of the UK banking workforce – met the Foundation Standard. For many this will be the third consecutive year that they have demonstrated their commitment to professionalism. Achievement figures are lower than in 2015 due to restructuring and ring-fencing, which impacts both the size and shape of UK banking.

The Intermediate Standard, launched in March 2017, complements the CB:PSB's existing professional standards and completes its initial suite. It is intended as a next step for individuals who have achieved the Foundation Standard. The Intermediate Standard can provide a bridge between the Foundation and Leadership Standards for individuals, and firms, who want to demonstrate a career-long commitment to professionalism.

"THERE IS POTENTIAL TO GENUINELY BE ABLE TO CALL BANKING A PROFESSION, NOT BECAUSE WE WANT TO TALK ABOUT IT IN THOSE TERMS, BUT BECAUSE THE HALLMARKS OF PROFESSIONALISM ARE EVIDENT ACROSS THE INDUSTRY."

A STEP CHANGE

The drive to develop and enrich the professional agenda is moving into other areas. Firms are now looking to integrate their approach to professional standards and qualifications – this is a very positive development. The CB:PSB has helped to make professional standards a mainstream issue, and that is a success in itself.

As CB:PSB Chair Lady Susan Rice notes in her welcome to the Report: "I believe there is potential for a step change – to genuinely be able to call banking a profession, not because we want to talk about it in those terms, but because the hallmarks of professionalism are evident across the industry – a common Code of Conduct, Professional Standards, where gaining professional qualifications and being

IMPROVING CONFIDENCE

Since its inception, the CB:PSB has worked to quantify both its impact and changing public perceptions of the industry. Five years' worth of research is published this month in a new report entitled 'Building Professionalism in Banking'. The research reveals improving levels of confidence and trust in individuals, banks and the industry, as well as improving views on professionalism in the industry.

INDEPENDENT OVERSIGHT

The CB:PSB Independent Monitoring Panel (IMP) was set up in October 2016 and is fully independent of the CB:PSB and its member firms. Its aim is to monitor the effectiveness

The Chartered Banker Professional Standards Board (CB:PSB) continues to drive professionalism across the banking industry, as shown in its newly published Progress Report 2017, says HELEN BOGAN.

of CB:PSB standards implementation and whether the CB:PSB is delivering its aims.


"The Panel independently reviews, provides challenge, and, where we believe there are shortcomings, recommends improvements to the CB:PSB Board," writes IMP Chair Dr Ian Peters, who is Chief Executive of the Chartered Institute of Internal Auditors.

"It consists of myself and four leading experts in their fields. Collectively we bring a passion for ensuring that the external scrutiny of the CB:PSB is robust. This is vital to strengthen public trust in this important work – to set, implement and maintain professional standards – and to confirm that the CB:PSB is delivering on its aims." The IMP will publish its first annual report in September 2017.

FORUM FOR EXTERNAL CHALLENGE

The Stakeholder Forum facilitates engagement with a broader range of 'end users', including consumer groups, regulators and industry representative bodies. It provides an opportunity to cascade information and, more importantly, to seek external feedback, opinions and advice.

This year's Stakeholder Forum event takes place in June. "I look forward to another lively and engaging session," says Forum Chair Professor Robin Jarvis, Professor of Accounting at Brunel University. "We are keen to continue our engagement and

challenge to the banks and CB:PSB – to further the professional standing of individuals in banking and to win over the respect, confidence and trust of the public in the long term." 

Helen Bogan is the Institute's Head of Professional Standards.

ABOUT THE CB:PSB

The CB:PSB is a unique voluntary initiative between UK banks and the Chartered Banker Institute. Established in 2011, before banking culture and conduct became a key issue for policymakers and regulators, the CB:PSB set out to develop and embed professional standards for individual bankers, and lead the re-professionalisation of UK banking.

In just over five years, the CB:PSB's

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For more information, see www.cbpsb.org, follow @cbpsb on Twitter and join the professionalism conversation #drivingprofessionalism



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EMBEDDING *cultural change*

Consumers, particularly those that can be considered vulnerable, remain at the heart of the Financial Conduct Authority's mission statement, released in mid-April in conjunction with its 2017/18 business plan.

Four years after its inception, the Financial Conduct Authority (FCA) has taken an opportunity to clarify why and how it is serving the public interest, along with the range of activities it is undertaking to meet this core priority.

The mission statement, it says, "explains the intervention framework for the strategic decisions the FCA makes, the reasoning behind its work and the way it chooses the tools to do it."

Central to the mission is the aim to add 'public value' – to contribute positively to society – by improving how financial markets operate, so that individuals, businesses and the UK economy all benefit. While it remains a high-level document, the mission outlines five broad areas of focus:

- **Enhancing trust in markets**
- **Improving how markets operate**
- **Using regulation to make the UK a better place to do business**
- **Working to prevent problems occurring**
- **Helping to put things right if they do go wrong.**

The FCA also says it plans to publish further documents explaining how it carries out its main activities – authorising and supervising firms, taking enforcement action, encouraging competition and influencing market design. Crucially, it will publish an additional document this summer reflecting its approach to consumers.

THE SPIRIT OF REGULATION

The FCA's mission statement is built around its vision to strengthen the 'societal purpose' of the UK banking sector by keeping the needs of the customer at the heart of its activities. Individual bankers, it highlights, are being asked to consider the impact of their decision-making on the customer.

Here we see a subtle shift in messaging, says Shona Matthews, Head of Regulation and Policy at the Chartered Banker Institute. "The message is clear: the FCA is focusing on whether banks are acting in the spirit of the regulatory framework, rather than simply applying the letter of the law," she explains.

"These are challenging times of great economic and political uncertainty, along with rapid technical developments – which could revolutionise the sector – and increasingly diverse consumer needs. In the face of these challenges, the FCA has used this document to establish that it will prioritise, protect and intervene – consistently, efficiently and clearly."

In doing so, the FCA also aims to establish the boundary between the regulator's work and the responsibilities of firms, stating in the business plan executive summary that "firms themselves will always have the most important role to play in ensuring continuing trust and confidence in the UK's financial services". To some extent it also touches on the responsibilities of consumers themselves.

Drilling down to particular priorities, the FCA has stated that, in this business year, it plans to ensure that initiatives such as the Senior Managers & Certification Regime (SMCR) are fully implemented and embedded into banks' business operating models.

"We are one year into this initiative, and this is the first time that the FCA has been able to view how firms are building this into their own business plans," says Matthews. "It's time to ask – is it on the agenda when companies are setting their business plan priorities?"

The spirit of how firms are implementing the SMCR will make a huge difference, she explains. As FCA Chair John Griffiths-Jones notes in his opening to the mission statement: "There is a clear link between poor culture and poor conduct, and the sector must continue its work to achieve and embed cultural change."

Matthews points out that the Institute is acting as a powerful driving force in advancing ethical professionalism and cultural change with its programme of ethics training and the Chartered Banker Professional Standards Board (CB:PSB) initiative (see page 40).

She concludes: "It's vital that the relevant people are aware of their duty of responsibility, a change that came in last year. Individual understanding and acceptance of this new level of accountability and responsibility seems to be at the heart of how our sector can be driven by societal purpose." **CB**

seeking greater financial inclusion are also seen with doubt and reluctance from people working and living in the cash economy because they mistrust initiatives that could increase their fiscal burden while feeling there is “little value for money” in paying taxes in countries where corruption is rampant.

FOCUS ON INFRASTRUCTURE


On balance, the research led us to believe that there is still scope to better understand how and why there is so much failure to contest retail payments. Future research could be approached from different perspectives such as:

- explaining the lack of adoption by consumers
- how consumers find new ways to use new technology (i.e. domestication)
- the challenges to abandon investments in long-established technologies (i.e. path dependence)
- how can we develop more effective management of innovation within organisations (including querying organisational memory)
- the role of security, industrial and technological networks as much as trends in the globalisation of retail payments.

“In the midst of a dynamic, non-linear and ever-changing environment, people’s payment choices are driven not by a cash(less) antagonism, but simply by preference, taste, trust, accessibility, convenience and transaction patterns.”

History has taught us that the uses of new technologies are uncertain and we need to know more of how regulation and regulators influence this process. So, the role of regulators, regulation and supervision are in particular need of detailed research as they are frequently criticised as the “bad hombres” that stifle innovation in financial services but these claims are often made with little empirical support.

If there was one central idea running from cover to cover, this would be that the future of money is an illusion because in the midst of a dynamic, non-linear and ever-changing environment, people’s payment choices are driven not by a cash(less) antagonism, but simply by preference, taste, trust, accessibility, convenience, social norms and transaction patterns. In short, there is no “oracle” able to successfully forecast innovation – at least, not in retail payments.

At the same time, there is a dearth of contributions considering the large and substantial investments in making things work. In other words, we ought to stop our enthralment with the “white heat” of innovation, our obsession with “firsts”, the heroic stories of the lone-wolf entrepreneur, and start paying more attention to maintenance and the general process of preserving and keeping in good condition the retail payments infrastructure. 

Bernardo Bátiz-Lazo is professor of business history and bank management at Bangor University (Wales). His research interests revolve around innovation and the adoption of computer technology in retail banking. Leonidas Efthymiou is a lecturer in marketing at Intercollege Larnaca (Cyprus). His research interests revolve around tourism management and the automation of everyday life.

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ENGAGING THE CONSUMER

Despite interest rates remaining lower for longer and the new tax-free ISA limit of £20,000, savers aren't flocking to invest in stocks and shares. What's holding them back and how can providers unlock this significant market potential?

According to a recent nationwide survey carried out by MetLife, 45% of ISA savers believe the current rules and options for stocks and shares ISAs are too complex. In addition, almost a quarter are confused about the choice of fund or where to seek advice.

With over two-fifths of those regular savers stating that they would increase their investment if they knew how to access advice, professional advisers are missing out on a substantial tranche of business. The potential is significant, with the market value of Adult ISA holdings standing at £518bn at the end of 2015/16.

BARRIERS TO ENGAGEMENT

Concern around consumer engagement with the market for financial advice was subject to an FCA review (The Financial Advice Market Review), with a report published in March 2016. Barriers to engagement broadly fell into three categories:

- Affordability
- Accessibility
- Liabilities and consumer redress.

Addressing these barriers at an industry and individual level may hold the key to giving

savers greater choice, boosting business for PFAs and tackling the high level of misselling that continues to cast a pall over the sector.

Charles Roxburgh, Director General, Financial Services at HM Treasury, says: "At a time when more and more people are seeking financial advice and guidance, we have set out how we can deliver a vibrant financial advice market that works in the interest of all consumers."

TACKLING CONSUMER ENGAGEMENT


Harnessing technology such as automated advice services, streamlining processes and linking up with community or workplace services are just some of the ways that can help to reduce the costs associated with financial advice. At the same time, these steps can help improve the availability and accessibility of advice.

The FCA points to the increasing demand for individuals to accept responsibility for their own financial futures. Removing some of the mystery associated with stocks and shares, through better education and

greater product transparency, can boost consumer confidence and understanding. Reiterating that financial advice is not just for those with large sums of money to invest is also crucial. Report co-author, Tracey McDermott, who was acting Chief Executive of the Financial Conduct Authority (FCA) until July 2016, says that the measures recommended "are aimed at giving firms the confidence to deliver streamlined advisory services focusing on specific consumer needs".

TOO IMPORTANT AN OPPORTUNITY TO MISS

The increase in the ISA savings limit makes the ability to access advice even more important, according to Simon Massey, Wealth Management Director at MetLife UK: "Savers should be getting independent face-to-face advice if they are investing such large sums, and the concern is that the current rules and options are too complex."

It seems then that the failure to tackle this issue is too big an opportunity to lose – for both the professional advisory community and for UK savers. It also seems that the FCA is working on steps that will help rebuild trust in advisory services, reduce some of the complexity and engage consumers more readily. For PFAs, keeping abreast of these changes and building more open and engaging services is crucial. 



For the greater good?

Making economies is a challenge, particularly when competitive advantage hinges on a strong record of keeping costs down. Must banks accept that they cannot satisfy every stakeholder, asks BOB SOUSTER.

THE SCENARIO

TGT Bank is a regional banking organisation operating from an industrial city. It has 20 branches, all located within a 200km radius.

Many of the branches are in towns where there is little competition from other financial institutions, but with populations sufficient to generate sustainable business.

The bank has built a good reputation in its heartlands, and has a loyal customer base. In its home city, many of the residents are in well-paid employment with a large supplier of military hardware to the government, and the bank holds accounts for many of the workers and their families. In the areas served by the branches, customers are typically more affluent families. In fact, the demographic profile of the region has changed significantly in the last twenty years, as young people often move away permanently once they have completed their education.

One of the reasons why TGT Bank has maintained a competitive advantage over its bigger rivals has been its ability to contain costs. It has invested wisely in information technology and has forged agency relationships to enable data processing to be carried out without incurring direct employment costs. However, in the last two years the bank has been forced to seek economies, and the board is now convinced that it will have to pursue cost-cutting measures in respect of certain products and channels to market. Two courses of action are now being considered.

Firstly, the bank has identified its current accounts as a high-cost product which adds little financial value. The majority of TGT Bank's customers have cheque books, and although their use has diminished in recent years, the rate of decline in the volume of cheque transactions has been slower than the national average. The bank offers an efficient online service for electronic payments, but many customers continue to make payments by writing cheques. The board is convinced that it will have to withdraw cheque books, phasing them out gradually, or introduce account charges.

Secondly, the board has decided that five of the branches are not financially viable in the long-term. The majority of customers of these branches live in rural locations and there has been a reduction in footfall, though many older customers and local businesses rely on them to access cash.

As the bank has always adopted transparent policies with customers, it embarked on a consultation exercise with them through a questionnaire, supported by discussions in the local newspaper and the regional radio station. The feedback strongly opposed the

“Customer feedback strongly opposed the bank’s two cost-cutting proposals, with accusations that it was abandoning some of the more vulnerable people in society.”



proposals, with accusations that the bank was abandoning some of the more vulnerable people in society.

Many commented that the branch closures would increase costs for local businesses, the owners of which would have to drive considerable distances to carry out routine banking transactions. Some added that, by going to the bank less often, their insurance costs would be driven up as they would have to keep larger cash floats on the premises.

The reaction to the proposal to withdraw cheque books was surprisingly negative. Some customers stated that they had no other way of making payments as they had no computer and no IT skills, while others felt it was unreasonable to expect people to change their banking habits when they had been depositing their salaries without receiving any interest for all of their working lives.

As the board predicted, the two options were unpopular. What should the bank consider in deciding on its course of action? Is it enough if the majority of customers accept the changes as an inevitable consequence of progress, with minimal adverse effect on daily life?

By working through this scenario and developing your own solution before reading the author's analysis, you may claim up to one hour towards the professionalism and ethics component of the Institute's CPD scheme.

continues over >>>



THE ANALYSIS

continued >>

The theme of this case should be a familiar one; the banking industry is no stranger to rationalisation of less profitable services and branch networks. It is also predictable that a significant proportion of customers will oppose – and some will actively resist – changes that have an impact on the ways in which their financial affairs are conducted.

Basic marketing theory suggests that life is simpler than this. Marketing is about identifying customer needs and channelling the organisation's resources to addressing those needs. As always, real-life experience demonstrates that this is sometimes not straightforward: just as Heinz found that customers were turning their backs on salad cream but were outraged when it was to be withdrawn, the manufacturers of the Subbuteo table football game met formidable resistance to the decision to cease production. Both companies changed their minds. If marketing success depended on pure logic, why are vinyl records now enjoying a rebirth?

Cheques are declining in importance in the UK, and in response to this the British Bankers' Association (BBA) initially announced that they would be phased out by 2018. However, the reaction from the public was so indignant that the BBA reversed its decision. There is no doubt that the use of cheques will continue to diminish (a 13% decline in 2015, and the usage of cheques actually peaked as long ago as 1990) but older age groups (65 years and over) tend to regard them as the payment method of preference for gifts and charitable donations. In other words, cheques are dying but will not expire quietly. It is a uniquely British phenomenon: in many European countries, cheques never caught on as some societies moved directly from cash-based systems to electronic payments without going through the considerable inefficiencies of paper-based money transmission systems.



“Most companies now agree the sustainable long-term prosperity of a company is dependent on addressing multiple stakeholder obligations, but it is impossible to fulfil all claims simultaneously.”

Branch closures are equally controversial. Branches are used less and less every year for everyday transactions, yet branch offices are relied upon by a minority of customers. The arguments against closing a branch are well documented, and customers' resignation at the news of yet another closure does not diminish the scorn of those who rely on that service.

The majority of banking organisations are commercial companies who are expected to maximise profit in the interests of their shareholders. The narrowest view of this is the so-called 'Friedman doctrine', which suggests that maximising profit should be the only objective of a company. In recent times, most companies now agree that there is merit in the notion of 'enlightened shareholder value', in that the sustainable long-term prosperity of a company is dependent on addressing multiple stakeholder obligations, including customers, employees, the community and others. The trouble is, it is impossible to fulfil all stakeholder claims simultaneously. Consequently, it is necessary to prioritise, or at least balance these claims.

The most common, and least confrontational, way of addressing this issue is to adopt utilitarian solutions. These imply that the company should act for the 'greater good' or a course of action that will bring about least harm to the majority. Many laws of the land reflect this principle, but satisfaction of the greater good implies that the welfare of minorities will be compromised in some way.

TGT Bank cannot come up with a perfect answer in deciding the most appropriate way forward. It can adopt a utilitarian approach by withdrawing cheque books and closing branches but will be criticised or even vilified by those most profoundly affected by these decisions. Or it can adopt a pluralist approach, perhaps by phasing withdrawals of services, in which case the majority could argue they are subsidising the minority. Ultimately, the bank must take decisions based on an honest view of how far the reach of its fiduciary responsibility to the various stakeholder groups extends. ☹

Bob Souster is 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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Do you know how the wheel got invented? Neither do I, but my theory is that it was a toy, flint-carved from wood and bone to divert a bored child by a handy dad in a cave long ago. Only later did someone work out that it could be used to move Stonehenge.

Of course we'll never know – but if you look at the history of human invention, it's at least plausible. Steven Johnson's recent book *Wonderland* makes a strong case that the cutting edge of innovation lies wherever people are working the hardest to keep themselves and others amused.

But playing around – applying knowledge of what motivates people to try different combinations and find ideas that will amuse, engage and persuade – doesn't usually fit into the dominant working culture of, say, a bank. As a bank employee it's far harder to have the credibility or objectivity to push for what might seem like a challenging or unconventional idea. And when an organisation does take it in-house and gets it wrong, there's no agency to blame or fire.

(Look at Pepsi's recent disaster in which supermodel Kendall Jenner joins a tastefully diverse, non-specific protest march and defuses a potential conflict with the police armed only with a can of fizzy drink. Conceived in-house at Pepsi, it was culturally and politically tone-deaf, created howls of dismay and was withdrawn in a day at huge cost, both financial and reputational.)

Agencies are an environment where people are expected to play around, to be creative. They build a knowledge base of what works, though working with different clients and audiences, which makes this play productive. They offer their clients deniability and fireability.


There is some irony in this perception of agencies as fun, playful places to work, of course. Unlike our big corporate clients, we are an independent, private company operating in a competitive, oversupplied industry (partly because people see it as a fun job) with consequently tight margins. Which means, unlike a global bank, we have to be highly efficient at channelling the playful, creative side of what we do into delivering value for our clients. Or, like many before us, we go out of business.



“Introducing more creativity into the culture of large organisations can accelerate innovation, build the firm’s intellectual capital and help people feel more stimulated and rewarded.”

But as well as outsourcing ideas, introducing more creativity into the culture of large organisations can accelerate innovation, build the firm's intellectual capital and help people feel more stimulated and rewarded. In a world where even the largest firms can be threatened by a startup with a new technology idea, it makes business sense to encourage smart people inside the firm to let go a little more, take more time to mess around with seemingly pointless experimentation, to have some more fun.

There are lots of ways of doing that – we try to work with our clients in stimulating, creative ways even around serious subjects. We've seen innovation techniques that are often mocked as unserious – opera, Lego, mindfulness – used to great effect by some very serious (and very successful) businesses.

Like the invention of the wheel, it doesn't really matter how it actually happens; what's important is being open to the potential of playing around. 

Ian Henderson is Chairman and Executive Creative Director of AML. www.aml-group.com.



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