

The Chartered Body Alliance Response to the Banking Standard Board [BSB] Consultation on Certification Risk and Issues [July 2017]

General Comments

We welcome these proposals for further guidance supporting the fitness and propriety assessment of individuals. Our Alliance is focused on raising professionalism in banking and in promoting to our members, and others, the very highest standards of knowledge, skill, integrity, trust and behaviour. We are therefore supportive of all efforts to improve outcomes for consumers through improved standards of behaviour and competence in banking. In September 2016 we jointly launched Certificates of Professionalism, which support the SM&CR and inspire individuals and employers to go beyond regulatory requirements to enhance and sustain a culture of responsible, ethical professionalism in the sector.

In feedback to the initial BSB consultation in 2016¹, our respective responses focused on the opportunity the development of this guidance presents to support the work of professional bodies such as ours in:

- Promoting the value of professional qualifications and membership, particularly in the eyes of consumers; and,
- Improving the two-way flow of information with banks to help us monitor professional standards and adherence to our Codes of Conduct.

These themes are revisited in our responses to the specific consultation questions below. We believe that any guidance produced by the BSB supporting aspects of the Senior Manager and Certification Regime should be enhanced to stipulate that individuals in scope should hold a relevant and appropriate professional qualification, be a member of a relevant professional body, comply with their Code of Conduct and complete relevant, audited Continuing Professional Development (CPD) annually. We also highlight the appropriateness of our respective initiatives to enhance professional standards for banking leaders that have responsibility within their organisations for promoting and embedding the culture, values and behaviours required to underpin the F&P regime.

An overview of our Alliance members can be found in the Appendix to this response. Further information about the Alliance can be found by visiting <http://charteredbodyalliance.org/>

¹[Click here](#) for the Chartered Banker Institute response. To read the CISI response, [click here](#) and its letter to the BSB can be found [here](#).

Specific Responses

The approach to assessing F&P

Q1. Do you think the framework (set out on pages 5-6 of the draft guidance) is useful for understanding the steps involved in an F&P assessment, or are there amendments that would better describe industry good practice?

We commend the BSB on the clarity of the framework developed. The paper mentions the intention to raise standards above the minimum regulatory requirement whilst referencing the impact of the Conduct Rules. Our respective Codes of Professional Conduct have been developed with this balance in mind. Our Codes apply to all our members and to those who have committed to meeting professional standards through our respective, targeted initiatives. Those adhering to our Codes not only exceed regulatory requirements, but do so in a way that addresses the spirit as well as the letter of the rules.

The options available to firms following an F&P assessment

Q2. Are the four options set out on pages 9-13 of the draft guidance the right ones? Are there others that should be added, or should any of these four be amended or deleted?

Q3. Do you agree with the explanations and definitions of these different options?

Q4. How do these options reflect your current approach to or experience of F&P assessments? Are there any aspects which would be new to your firm? If so, which would be the most challenging?

We support the BSB's decision to offer a simple and clear framework. These options outlined seem to cover the ground required and offer clear distinctions which can be easily followed and applied. We are supportive of the emphasis on F&P assessment not being static and that updating and monitoring of an individual's F&P status is essential to supporting the overall objective. This was something we focused on in our responses to the initial guidance¹, noting the need for the appraisal culture within banks to evolve if we are to see real change. We are pleased that this guidance promotes a monitoring process with more check points.

Use of illustrative examples

Q5. Are the illustrative examples in the draft guidance useful and appropriate? Are there others that would provide additional, better or more relevant examples of:

- a. the factors to consider when evaluating information that may call into question an individual's F&P;*
- b. maintaining F&P;*
- c. mitigating certification risks;*
- d. remediating certification issues; or*
- e. where remediation is not possible?*



With specific regard to Q5a. we would suggest that when considering *'the level of ongoing/tail risk'* this should not only be with reference to the significance to the firm but also other relevant stakeholders, including the client and society as a whole. Furthermore, and as we shall go into in more detail below, when considering the wider context, it is our view that firms should also consider whether an individual is, whether knowingly or otherwise, in breach of other conduct rules, such as those of their membership body. When considering *'reputational impact'* we would welcome this being expanded to include an explicit reference to any professional body to which the individual belongs. Helping all relevant parties to work together to achieve the common objective of improved standards can only be done by joining up these dots, and keeping this element of an individual's commitment in focus.

We firmly believe that, as regards maintaining F&P and mitigating certification risks, encouragement of professional membership and a commitment to professional standards are very simple but effective steps to preventing and mitigating risk. Professional bodies such as ours can also be active partners in the remediation process. We would strongly encourage the BSB to use this opportunity to communicate this more widely.

With this in mind, and in response to Q5e. we suggest that 'Decision taken not to issue an SPS' is added to Table 5 on page 22 under the 'issue could be remediated' row. Our reasoning is that, should a professional body or regulator decide not to issue an individual's SPS, this indicates the possibility of an issue where sufficient remediation may not be possible. However, the decision is then put back on the firm as to whether they have adequate controls in place to allow for the individual to be certificated. For example, this could include removal of certain responsibilities and/or supervision.

The balance between individual and firm responsibilities

Q.6 *Is the guidance on the role of individuals in maintaining their F&P appropriate or are there other factors we should take into account?*

Q7. *Is there anything in this guidance, either in substance or tone, that would result in inappropriate or unnecessary responsibilities being placed on either the firm or the individual?*

We strongly support the sentiment on page 5 of the draft guidance that individuals should take personal responsibility for all aspects of their own professional development and perhaps more importantly, that those *'involved in the assessment of F&P to both recognise and reward those who do this..[.]'* However, later, on page 10, more could be said to address the earlier phase of *'taking personal responsibility'*, i.e. for those involved in the assessment of F&P to actively direct, encourage and support those who seek to take steps, such as taking a professional qualification or joining a professional body. Too often budget constraints are used as an argument in offering this kind of support. However, a recent study commissioned by the Chartered Banker Institute² found that professionally qualified bankers have an extremely high level of professional pride in their work, compared to their non-qualified counterparts. The

² The Chartered Banker Professionalism Index: [download here](#)



results of the study further suggest that those bankers, who have made a strong commitment to professionalism, profoundly believe in the value of what they do. This feeling is common amongst members belonging to all three of our respective professional bodies. Professional bodies such as ours are therefore well positioned to support individuals and their employers in driving up standards, and we believe more could be done to publicly support the initiatives we have in place. The evidence shows that these initiatives are working, particularly in encouraging individuals to adhere to the spirit of the regulations and not simply the letter³.

Finally, we would suggest that the guidance overlooks a key part of the process concerning communication outside of the firm. Looking at this guidance alongside the challenges to professional bodies raised through the BSB's work on Professionalism, there is an opportunity to enhance the guidance by advising assessors and through them individuals, of the value in sharing the results of a certification decision with the appropriate membership body. Not only a non-certification decision, but also one of remediation or certification with additional conditions would allow us to play our part in driving up standards. This might lead to a disciplinary review, but, as is intended through the guidance to employers, it provides us with the opportunity *'to analyse trends or areas of common concern emerging'* amongst our membership and take steps to address this. As further evidence of the need to close this information loop, Table 1 of the guidance asks assessors to consider the impact on reputation. We would argue that we have a vested interest if there are concerns about the actions of a member, as this can significantly influence the perception of our wider membership and the profession as a whole.

Links to regulatory references

Like others, we have for some time been concerned by the unintended consequence of the SM&CR with regard to the FCA's public Register of Individuals (The Financial Services Register). We believe that many parties have a vested interest in ensuring that the public and others have access to a trusted source of information about those advising on and managing their financial products. We have been considering this issue, not simply as 'find a trusted adviser' but in combination with the intent of recent conduct regulations, including that of regulatory references. From this standpoint there is a compelling argument for such a register to continue to exist in a new form. We would welcome the opportunity to share our considerable research into the possibility of a replacement register with the BSB, including the key challenges we believe are currently preventing progress. We are closely following the research undertaken by the FSB in its work to address the issue of 'bad apples' – but believe the solution is simple: a consolidated register which includes professional affiliations, qualifications, and employment history. It is our view that, between professional bodies, employers and the regulator we have sufficient information to provide a meaningful register. We offer our support and look forward to engaging with the BSB as it progresses this strand of its guidance work.

³ See also *Building Professionalism in Banking, CB:PSB Research 2012 – 2017*:[download here](#)



Appendix 1

About the Chartered Body Alliance

Recognising our primary duty to the public of enhancing and sustaining professionalism in financial services, three of the leading Chartered professional bodies in the sector (the Chartered Insurance Institute, Chartered Institute for Securities & Investment and the Chartered Banker Institute) launched the Chartered Body Alliance in March 2017.

The Chartered Body Alliance strongly believes that by working together the alliance will achieve greater public benefit, continuing to raise professionalism and trust across financial services by promoting high standards of knowledge, skill, integrity and behaviour.

While the activities of each body focus on different areas of financial services, between them they cover a wide range of activities including wealth management, insurance, financial planning, banking and capital market activities.

The Alliance's joint membership of almost 200,000 professionals have much in common, and by working together can demonstrate a substantial collective commitment to enhancing professionalism and improving public confidence and trust in financial services.

About the Chartered Banker Institute

The Chartered Banker Institute ("the Institute") is the oldest professional banking institute in the world.

The Institute was founded in 1875, operates in all UK nations, and has a significant and growing international presence

The Institute has driven an agenda of ethical professionalism throughout its existence; promoting professional standards for bankers, providing professional qualifications for retail, commercial and private bankers in the UK and overseas, and offering professional membership to qualified individuals. The Institute currently has over 30,000 members.

About the Chartered Institute for Securities & Investment (CISI)

The CISI's mission is to help members attain, maintain and develop their knowledge and skills and to promote the highest standards of ethics and integrity in the securities and investment industry.

Based in the City of London, the CISI is a global organisation with representative offices in financial centres such as Dublin, Barcelona, Singapore, Hong Kong, Manila, Dubai, Mumbai and Colombo. We work in close cooperation with regulators, firms and other professional bodies worldwide and over 40,000 examinations were sat in 80 countries in the last twelve months.

With 45,000 members in 104 countries the CISI is the professional body which sets examinations and offers qualifications for those working, or looking to establish a career in the financial planning, wealth management and capital markets industry.



About the Chartered Insurance Institute (CII)

The CII is the largest professional body for the Insurance and Financial Planning professions, with 125,000 members located across 143 countries.

Our purpose is to build public trust in insurance.

We do this through the provision of insightful leadership, relevant learning, and an engaged membership.

For more information please visit: www.charteredbodyalliance.org