

## The Chartered Banker Institute Response to FCA Mission Statement

### Introduction

We welcome the FCA's consultation on its Future Mission and would agree with others in noting that the fact this is open to consultation is very positive. In response, we have provided some general thoughts, and only comment specifically on those questions which fall within the Institute's expertise and on which we are expected by our members to comment.

Information about the background and ongoing work of our Institute can be found in the [Appendix](#) to this response.

### General Comments

We are supportive of the FCA's approach which will focus its resources on those areas of the sector which require most protection and monitoring. We agree with the view that, in ensuring markets work well, this does not and cannot mean the creation of a perfect market where nothing goes wrong. To this end, we would echo the views of the Association for Financial Markets in Europe (AFME)<sup>1</sup> that the '*FCA should be independent of political pressure and should exercise its supervisory judgement and its enforcement decisions on the basis of the rules and principles and market practice at the time of the relevant transaction*'. We have made supportive statements on this latter point previously, and specifically in our responses to the recent consultations on the Senior Manager and Certification Regime (SMCR)<sup>2</sup>.

Chapter 5 of the Mission references the 8 key principles of good regulation. We take this opportunity to reflect on the 7th principle:

- *Openness and disclosure. The desirability of publishing relevant market information about regulated persons, with appropriate safeguards, or requiring them to do so.*

Whilst we understand in this context 'person' refers to firms, taking a wider interpretation we consider it important in supporting this principle that regulators consider sharing relevant information with professional bodies to aid them in upholding higher levels of individual accountability and conduct. Furthermore, we believe that a single register of professionals would underpin such appropriate safeguards but, for bodies such as ours to implement this effectively this will require regulator [not necessarily regulatory] support in principle, to ensure full market participation.

We acknowledge the complexities of the relationship referenced throughout the Mission, and most specifically under Charter 7. We note the FCA's reference to the

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<sup>1</sup> [www.afme.eu/globalassets/downloads/consultation-responses/afme-cmp-20170110-fca-mission-statement-v4clean.pdf](http://www.afme.eu/globalassets/downloads/consultation-responses/afme-cmp-20170110-fca-mission-statement-v4clean.pdf)

<sup>2</sup> <http://www.charteredbanker.com/knowledgehub/policy--research/>

medical profession and would respond that, as in medicine and other professions, professional bodies, such as ours, can and do provide a framework for individuals operating within regulated parameters supported by codes of conduct that are designed to stress the requirements for a high quality of ethical service. The regulators could do more to help us monitor this, for example, by sharing valuable evidence where there are breaches so that we too may sanction members who have failed to meet the high standards expected. For example, post qualification all Chartered Bankers and the great majority of the Institute's members must satisfy the Institute's Continuing Professional Development (CPD) requirements (35 hours with at least 5 hours dedicated to professionalism and ethics as befits our Royal Charter, to continue to use the "Chartered Banker" designation.<sup>3</sup>

## Specific Responses

### **Q10. Does increased individual responsibility increase the need and scope for a greater and more innovative regulatory response?**

We believe it is more the case that increased individual responsibility will inevitably create, as has already been the case, new demands on the products and services offered by providers. It is for this which the regulator must be adequately prepared. It also increases the need and scope for greater professional capability and competence. For our part, we continue to ensure our members are kept informed and updated with the knowledge and skills required to sustain the high professional standards we expect of them in providing a customer-focused ethical service.

### **Q11. Would a Duty of Care help ensure that financial markets function well?**

The current principles provide the framework for a greater degree of scrutiny in the sector. We would observe that many professionals have a duty of care, either explicit, or implicit, and the requirements set out in our Chartered Banker Code<sup>4</sup> establish a similar duty for bankers, albeit not on a statutory basis. This supports and goes beyond regulatory requirements, including accountability, whistleblowing, and TCF. However, we would welcome greater acknowledgement and support from the regulator for the role professional bodies can, and do play in helping individuals and their employers underpin these existing principles, through professional membership, professional standards and continuing professional development. We believe this could help the FCA in achieving its stated objectives and support the outcomes the Financial Services Consumer Panel (FSCP)<sup>5</sup> is seeking.

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<sup>3</sup>[http://www.charteredbanker.com/filemanager/root/site\\_assets/brochures\\_2013\\_pdfs/cpd\\_brochure\\_18537.pdf](http://www.charteredbanker.com/filemanager/root/site_assets/brochures_2013_pdfs/cpd_brochure_18537.pdf)

<sup>4</sup>[http://www.charteredbanker.com/filemanager/root/site\\_assets/governance/the\\_chartered\\_banker\\_code\\_of\\_professional\\_conduct\\_47494.pdf](http://www.charteredbanker.com/filemanager/root/site_assets/governance/the_chartered_banker_code_of_professional_conduct_47494.pdf)

<sup>5</sup> The Financial Service Consumer Panel Position Paper: A Duty of Care for Financial Service Providers: [https://www.fs-cp.org.uk/sites/default/files/duty\\_of\\_care\\_briefing\\_-\\_jan\\_2017.pdf](https://www.fs-cp.org.uk/sites/default/files/duty_of_care_briefing_-_jan_2017.pdf)

**Q.16 Is our approach to giving vulnerable consumers greater levels of protection the right one?**

As we have commented previously [in our response to CP 16/24<sup>6</sup>] careful thought is needed on the part of the regulator and the sector when considering the appropriate balance between business volume, healthy competition and ethical considerations. It is therefore important that any regulatory approach aimed at protecting the needs and interests of vulnerable consumers ensures that firms and individuals are working within appropriately regulated parameters supported by codes of conduct that are designed to stress the requirements for a high quality of ethical service.

**Q. 17 Is our approach to the effectiveness of disclosure based on the right assumption?**

When considering the issues raised regarding disclosure, we would again support the thoughts of AFME<sup>1</sup> that there is certainly a case for **more useful** disclosure not simply more.

**Q23: Do you think it is our role to encourage innovation?**

We do not agree that the role of the FCA should be to encourage innovation but rather to support the development of innovation where that is consistent with the FCA's aims and objectives. We believe the efforts being made via Project Innovate and the Regulatory Sandbox are evidence of this approach. They provide safe environments to test, for example, new products, and in this way, support the FCA in its objective to protect consumers and provide some safeguards against the unintended consequences of innovation, however well meaning.

**Q25: Do you think more formal discussions with firms about lessons learned will help improve regulatory outcomes?**

We are supportive of all such open communication which can only serve to improve regulatory outcomes. In mentioning open communication, we again take this opportunity to highlight the challenges faced by professional bodies under the current framework, where it remains difficult in some circumstances to discipline members as we do not have investigatory powers. With the move to evidencing a 'duty of responsibility', we ask that the FCA gives some consideration as to how professional bodies might be engaged in this process in order that we too may sanction members who have failed to meet the high standards expected. To be clear, we are not seeking any statutory powers but rather a much closer working relationship with regulators to raise and maintain standards of professionalism across the sector. We would welcome the opportunity to discuss our thoughts on this matter with the FCA.

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<sup>6</sup> <http://www.charteredbanker.com/utilities/document-summary.html?id=F7DBF721-16F7-4D5E-896BB43CAFF258AC>

## APPENDIX 1

### The Institute in Numbers



### Institute Background

1. The Chartered Banker Institute (“the Institute”) is the oldest professional banking institute in the world. The Institute was founded in 1875, operates in all UK nations, and has a significant and growing international presence. The Institute has driven an agenda of ethical professionalism throughout its existence; promoting professional standards for bankers, providing professional qualifications for retail, commercial and private bankers in the UK and overseas, and offering professional membership to qualified individuals.
2. The Institute received Royal Charters of incorporation in 1976 and 1991. In 2000, approval was received from the Privy Council to award the “Chartered Banker” professional designation to individuals meeting the Institute’s highest standards and qualification requirements for ethical, professional and technical competence. The Chartered Banker Institute is the only body able to award this title. For an individual to become a Chartered Banker requires Masters-level study of modules in: (a) contemporary issues in banking, (b) credit & lending, and (c) risk management, plus a choice of elective modules in subjects including retail banking, corporate banking and private banking. All students must also complete a Masters-level module in Professional Ethics and Regulation. Qualifications are offered by the Institute itself, as well as by a range of university partners.
3. Post qualification, all Chartered Bankers and the great majority of the Institute’s members must satisfy the Institute’s Continuing Professional Development (CPD) requirements, including mandatory annual ethics refresher training, to continue to use the “Chartered Banker” designation.
4. In addition to the flagship Chartered Banker qualification, the Institute offers a wide range of professional banking and regulatory qualifications, to support

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individuals at all career levels, all of which involve study of professional ethics.

5. The Institute currently has over 30,000 members. In addition, over the past 5 years, a further 28,000 individuals have participated in a training programme delivered by an employer, university, college or other training provider, accredited by the Institute against our professional and qualifications standards, and providing a pathway to achieving a professional qualification awarded by the Institute.
6. The Institute works with a very wide range of education partners, including universities, colleges, other professional bodies, and training providers to support the initial and continuing professional development of bankers. This includes a wide range of UK university degree partnerships (including the unique Chartered Banker MBA, with Bangor University) and apprenticeship/higher apprenticeship programmes (the Institute has recently become one of a relatively small and select group of professional bodies to be granted End Point Assessment (EPA) status for apprenticeships in England). We also work with banks themselves, and their chosen learning partners, to develop, implement and accredit training programmes aligned to the Chartered Banker framework, creating pathways to professionalism linked to banks' own employee journeys.
7. Internationally, the Institute's impact and influence is growing, with partnerships with professional bodies in the Bahamas, Hong Kong, Ireland, Malaysia, Malta and Pakistan. Nearly 400 emerging banking leaders from 49 countries are currently studying on the Chartered Banker MBA programme (offered in partnership with Bangor University). In Malaysia, more than 1,000 individuals are currently studying to become Chartered Bankers, and seven bank CEOs became the first Malaysian Chartered Bankers in November 2015 with strong support from Bank Negara (Malaysian Central Bank). The first 500 students to gain the Professional Banker Certificate (China) qualified in 2016, via the Institute's partnership with the training division of the People's Bank of China.
8. *Young Banker of the Year Award* - In 1989, the Institute established the Young Banker of the Year competition, and this continues to be the highlight of the Institute's annual event calendar. The competition seeks to highlight the contribution of one individual with the potential to lead positive, customer-focused change, as judged by a distinguished panel of industry figures, chaired by the Lord Mayor of London, and plays an important role in promoting a revitalised banking profession by recognising the qualities of young bankers, who through their ideas and actions can help to improve the reputation of the industry.
9. See [www.charteredbanker.com](http://www.charteredbanker.com) for more information on the Institute and its activities.
10. In 2008, the Institute began work leading to the launch of the Chartered Banker Professional Standards Board (CB:PSB) in October 2011, chaired by Lady Susan Rice. The CB:PSB is a unique initiative, led by 9 UK banks<sup>7</sup> and

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<sup>7</sup> CB:PSB members are Barclays, Clydesdale & Yorkshire Banks, HSBC, Sainsbury's Bank, Santander UK, RBS, Tesco Bank, United Trust Bank and Virgin Money; covering over 300,000 individuals in the UK employed by CB:PSB firms.

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the Chartered Banker Institute, to enhance and sustain professional and ethical standards in banking in the UK. The CB:PSB develops and, through its member banks, implements professional standards (standards of conduct and expertise) for individual bankers which will contribute to the restoration of public trust and confidence and promote a culture of professionalism in the banking sector.

11. In October 2011, the CB:PSB published the Chartered Banker Code of Professional Conduct, to which all member banks subscribe, and which encompasses approximately 70% of the UK banking workforce. In July 2012, the CB:PSB launched its first standard, the Foundation Standard for Professional Bankers (the Foundation Standard). Nearly 250,000 bankers, including 173,986 in the UK, achieved the Foundation Standard in 2015<sup>8</sup>. As well as increasing the numbers who achieved the Foundation Standard, some CB:PSB firms have started working towards the Leadership Standard (CB:PSB's second standard launched in 2015) and expect a number of senior individuals to meet this exacting standard in 2017.
12. The CB:PSB works closely with regulators, and also with the Banking Standards Board (BSB). The BSB's mission is the development, promotion and encouragement of professional high professional standards in the banking sector, with a focus on institutions. The CB:PSB focuses on professional standards for individuals.

See [www.cbpsb.org](http://www.cbpsb.org) for more information on the CB:PSB and its professional standards.

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<sup>8</sup> [CB:PSB Annual Progress Report 2016](http://www.cbpsb.org/publications/progress-report-2016.html): <http://www.cbpsb.org/publications/progress-report-2016.html>