Chartered Banker

Spring 2020

The future of banking

Open Mic:
What will tomorrow's customer value most?

Davidson column:
A wake-up call for banking.

Country spotlight:
Canada's Open Banking agenda.

Young Banker of the Year:
Judges' perspectives.

Better banking experiences

Serving the customer of tomorrow

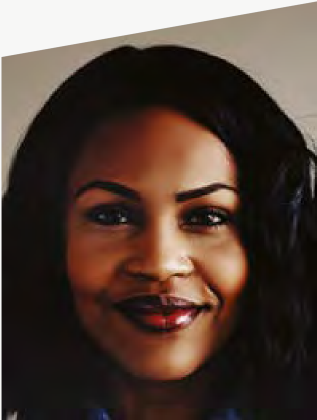
Best in class
CX lessons from retailers.

Bank – and relax
An experiential approach.

Financial education
The role of banks.

Inclusive banking
Meeting diverse needs.

Chartered Banker



The Advanced Diploma in Banking and Leadership in a Digital Age

- **The Advanced Diploma in Banking and Leadership in a Digital Age is the Institute's gold-standard qualification**
- **Globally recognised in setting the standard for those who seek to achieve the highest level of excellence and professionalism in banking**
- **Developed by industry experts and students, it blends core banking skills with a technological edge, suitable to enhance current and future banking roles.**

This revised Diploma:

- Can be completed in 18 months to support apprenticeship and graduate programmes
- Blended learning approach with core reading, online resources, and an interactive, online Study Guide to support learning
- Includes substantial coverage of technology, leadership and change, in addition to core banking knowledge
- Each unit is assessed by knowledge checks to demonstrate application of learning at work
- Ensures that individuals can meet current and emerging regulatory requirements for the demonstration of high professional standards.

For further information please visit:

www.charteredbanker.com

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

Chartered Banker 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)
2nd Floor, Bengal Wing
9a Devonshire Square
London
EC2M 4YN
tel: 020 7464 4440

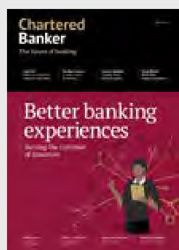
Chartered Banker magazine is published four times per year in Spring, Summer, Autumn and Winter on behalf of the Chartered Banker Institute.

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
www.editionsfinancial.com



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

10 Little Portland Street
London W1W 7JG
tel: 0203 911 7530
www.editionsfinancial.com

EDITIONS FINANCIAL

Chartered Banker
The future of banking

The front line

Now, more than ever, we must focus on our customers.

Simon Thompson, Chief Executive

At the time of writing, the coronavirus pandemic continues to dominate the news. Everyone's thoughts are, quite rightly, focused on the medical emergency and supporting the doctors, nurses and other professionals on the front line.

During challenging times – and when contemplating the megatrends shaping our sector – it can be easy to forget that success in our own industry ultimately means aligning our organisations, products and services with what our customers want and need. In the short term, banks must continue to provide access to essential services – clearly communicating any necessary changes to protect vulnerable individuals, staff and the rest of society. Our banks are already working closely with government and the Bank of England to help businesses and households through this unprecedented situation. As an Institute, we are committed to supporting those engaged in these tasks and I hope we will soon start to see a shift in focus towards mitigating and recovering from the financial impacts of the pandemic.

In this issue, we look at how customer needs and expectations are changing in a world of ever-increasing choice – and how financial firms are rising to meet the challenge. As both FinTechs and major technology firms harness their data-driven customer insights to bring innovative products and services to the market, competition to deliver what customers want will intensify. At present, however, most customers trust their main banking providers to manage their finances and personal data. It is not only the Big Tech companies such as Facebook, Apple, Amazon and Google that are responding to customers' changing demands. Banks themselves are evolving, leveraging big data and advanced analytics to identify and deliver the products and services that can help customers manage their lives and businesses in general, not just their finances.

> "During challenging times, it can be easy to forget that success ultimately means aligning our organisations, products and services with what our customers want and need."

At the Institute, our own customers – our members and students – are at the heart of the business. Just like the banks, albeit on a smaller small, we use data and insight to innovate and provide the best possible learning and development experience we can. I'm pleased to report, therefore, that we have just launched a new, high-quality booking and assessment service. This means we can offer the Institute's examinations in more than 5,000 centres worldwide, as well as, via remote invigilation, in our members' and students' offices and homes (please see our coronavirus update on page 11 for more information about continuing your studies). In the same way as successful banks, we have harnessed technology to provide a more efficient, engaging and more personalised service. And, just like the banks, we'd love to hear your feedback. CB

Contents

Regulars

03 The front line
SIMON THOMPSON on the role of banks during the pandemic.

06 People & numbers
Latest news and moves in the UK banking industry.

10 Institute agenda
What's happening at the Chartered Banker Institute?

27 Davidson
The Institute of Customer Service's CEO sees a big opportunity for banks.

52 Personal development
BOB SOUSTER explores the ethics of business change.

60 Book Bank
What went wrong with Australian banking?

Lessons Learned
It's time for brands to find their personality, says IAN HENDERSON.
62

Special report

Better banking experiences

14 Open Mic
What do customers want?

18 IKEA-style banking
Redefining 'best in class'.

20 Bank – and relax
Branch of the future.

21 Tomorrow's customer
Banks' roles in financial education.

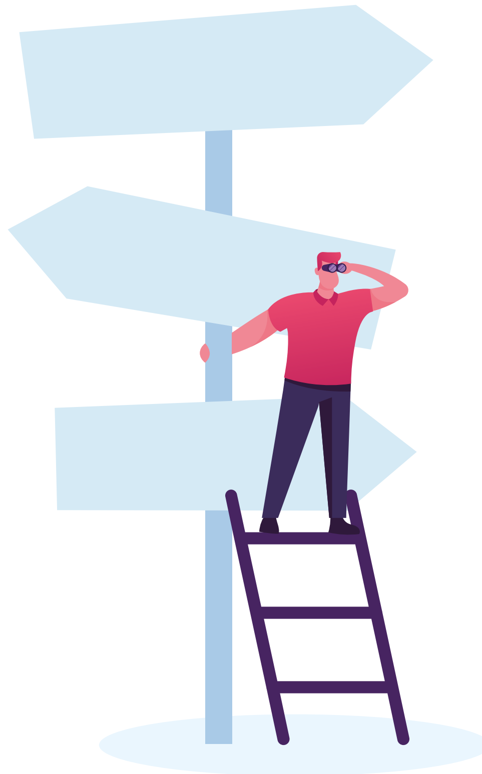
23 Supporting diversity
Beyond internal initiatives.

"It's not enough now to simply offer a good service. Banks need to be using tech for good and helping to give back to society." p14

28 Society first
Do banks of scale deliver enough value?

32 Niche to mainstream
The role of 'brand' in the rise of Islamic finance.

36 Country spotlight
Open Banking opportunity met with caution in Canada.



40 Young Banker of the Year
Previous judges share tips on how to stand out.

54 A new framework
The first bank to be awarded Corporate Chartered status.

45 Where next for monetary policy?
Unconventional interventions are the new norm.

56 Institute Advocates
Meet our Board Trustee, BRIAN McCRINDLE.

50 Bangor Business School
What influences the effects NIRP has on bank margins and profits?

58 Professional Financial Advice
Managing the compliance burden.

ISSN: 1759-9520
Charitable Body No SC013927.

All rights reserved. The contents of this publication reflect the personal views of the individual authors and do not necessarily reflect those of the Chartered Banker Institute. No liability attaches to the authors or to the Chartered Banker Institute for any reliance on any part of the publication. The articles contain views, not advice or professional recommendations. You should consult your own professional advisers if you are minded to follow up on anything that you have read in this publication.

The professionals in this issue

Guy Ridgen is CEO of MyBnk, which provides financial education and enterprise workshops for 7-25 year olds. He joined the charity as Expansion Director in 2013 and was promoted in 2016. **p21**

Jo Causon is CEO of the Institute of Customer Service. The Institute is an independent, professional membership body and publishes the biannual UK Customer Satisfaction Index (UKCSI). **p18, 27**

Barbara Casu Lukac is Professor of Banking and Finance and Director of the Centre for Banking Research at Cass Business School in London. **p28**

Maisam Fazal is Chief Commercial Officer at Al Rayan Bank, the UK's oldest and largest Islamic bank. He was previously the bank's Senior Head of Commercial Banking. **p32**

Omar Shaikh is an Advisory Board Member for the Islamic Finance Council UK and Chief Executive of the Ethical Finance Hub, a non-profit research hub that promotes ethical finance. **p32**

Richard Remillard is a Director of the National Crowdfunding & FinTech Association of Canada which promotes and supports the country's crowdfunding and FinTech industries. **p36**

James Athey is Senior Investment Manager at global asset manager Aberdeen Standard Investments. He is a regular contributor to BBC News, Bloomberg TV and CNBC. **p45**

Stephen Grenville is a former Deputy Governor of the Reserve Bank of Australia and a non-resident Fellow at the Lowy Institute, an independent policy think tank in Sydney, Australia. **p45**

People & numbers

2030 targets set for financial well-being

A 10-year plan to improve the UK's financial well-being has been launched by the government-backed Money and Pensions Service (MaPS).

By 2030, the strategy hopes to achieve five key national goals. These include better financial education for children and young people and helping people build a rainy-day savings buffer.

The strategy also aims to reduce reliance on credit for everyday living; help people access quality debt advice when they need it; and ensure everyone knows how to plan for retirement.

Specific targets include two million more people saving regularly by 2030 and two million fewer using credit cards for daily spending.

"There is a business benefit in having clued-up, confident customers and there are new markets to explore in a business model with financial well-being at its heart," said Sarah Porretta, Strategy and Insights Director, MaPS.

More depth needed in UK governance

Companies need to improve their governance practices and reporting if they are to demonstrate their positive impact on the economy and wider society, according to a new report from the Financial Reporting Council (FRC).

In an early assessment of reporting against the latest 2018 UK Corporate Governance Code, the FRC said there were some good pockets of reporting, but a few areas needed improvement.

"It's all too easy to box-tick against the code, but we want companies to think deeply about their governance and explain it well in 2020," said David Styles, Director of Corporate Governance, FRC.

Many companies are grappling with defining purpose and what an effective culture means, with too many substituting slogans or marketing lines for a clear purpose, the FRC said.

There was also limited reporting on diversity and a lack of evidence that companies were effectively engaging their workforces.

Facts & Figures

29m

UK homes to be made low-carbon, low-energy and resilient to climate change

Five

new national targets to boost the UK's financial well-being

204

the number of regulated Open Banking providers at the end of 2019

Climate stress test nears

Plans to test the resilience of the UK's financial system to climate change are a step closer after a Bank of England consultation exercise.

The central bank invited responses on how to design its 2021 'biennial exploratory scenario' (BES) exercise, which will be used to "test the resilience of the current business models of the largest banks, insurers and the financial system to climate-related risks".

The final BES framework will be published later this year and the results will be published in 2021.

Open Banking takes off

Two years on from its launch, Open Banking in the UK has surpassed the one million customer mark for the first time. According to figures from the UK's nine biggest current account providers, customer numbers have doubled in six months.

The Open Banking Implementation Entity (OBIE), set up to deliver Open Banking in the UK, said there were now 204 regulated providers, up from 100 at the end of 2018.

"We believe 2020 will be the year when adoption of Open Banking financial services really takes off," said OBIE Trustee Imran Gulamhuseinwala.

Too big to fail countdown

The UK's biggest banks have until October this year to explain how they will continue to operate without a taxpayer bailout when their business is failing.

The Bank of England (BoE) and the Prudential Regulation Authority (PRA) – which oversees the soundness of UK financial services – said the move was the final major piece of the UK's 'resolution' regime for banks.

"Resolution is the process by which authorities intervene to manage the failure of a bank in an orderly way," the BoE explains in its press release on the Resolvability Assessment Framework. "This process reduces risks to depositors, the financial system, and public finances. The financial crisis, in which governments used taxpayer money to bail out banks and their losses, showed the need for an effective resolution regime as disorderly bank failure is disruptive and costly."

The BoE will assess firms against three resolvability outcomes to be met by 2022: i) having adequate financial resources; ii) being able to continue to do business through resolution and restructuring; and iii) being able to communicate and coordinate within the firm and with authorities.

UK banks with £50bn or more in retail deposits must submit reports to the PRA about their preparedness by October 2020 and publicly disclose their summaries by June 2021.

Green building boost

A major initiative is under way to unlock investment into the UK's low-carbon and resilient building sectors.

Recommendations will soon be published by the Coalition for the Energy Efficiency of Buildings, launched last December by the Green Finance Institute.

Pilot 'demonstrator' projects will be presented at the 2020 UN Climate Change Conference ('COP26') in Glasgow, scheduled for November.

"There are 29 million homes in the UK that must be made low-carbon, low-energy and resilient to our changing climate," said Julie Hirigoyen, Chief Executive, UK Green Building Council.

RBS first to gain Corporate Chartered status

The Institute has awarded Corporate Chartered status to RBS in recognition of its sustained commitment to the training and professionalism of its staff.

On 5 March 2020 the Institute's CEO, Simon Thompson, and COO, Joanne Murphy, presented RBS CEO Alison Rose with a certificate to mark the occasion.

"I am proud that we are the first bank to receive such an important acknowledgement of our commitment to the professional development of our workforce," said Rose.

"Our partnership with the Institute, along with the hard work and commitment of our colleagues, means we now have 13,000 professionally qualified bankers across our organisation.

"We are focused on providing opportunities for all of our people to develop their skills and knowledge and I'm delighted to see the CBI continuing to innovate in this space with the introduction of the Green Finance Certificate™ and the Advanced Diploma in Banking and Leadership in a Digital Age."

To find out more about Corporate Chartered, please turn to page 54.

People & numbers

Making 2030 goals a reality

With only 10 years to go until 2030, efforts are increasing to deliver the United Nations' Sustainable Development Goals (SDGs).

A new UN finance panel has been launched this spring to make the global goals a reality.

Launched by 193 member countries in 2015, the 17 SDGs include ending poverty, inequality, hunger and combating climate change by 2030.

Mona Juul, President, the UN Economic and Social Council, said 2020 was "a significant milestone in our journey" to implement the 2030 Agenda.

A high-level panel on financial accountability, transparency and integrity, called FACTI, will meet face-to-face at least four times, in different parts of the world.

It will produce an interim report in July 2020 and its final report with recommendations in January 2021.

McKay makes FinTech Powerlist

Helen McKay, Risk and Compliance Officer, LendingCrowd, has been named in the Innovate Finance Women in FinTech Powerlist 2019.

McKay was recognised in the list of leading global policymakers and regulatory experts. She is a Fellow of the Chartered Banker Institute and last year was appointed Vice Chair of the Institute's Membership Forum and Chairperson of its Edinburgh, Fife and Lothians District Centre.

Clare Black, Director of Corporate Affairs & Communications, Innovate Finance, said: "We were delighted to receive so many high-quality applications this year and grateful to our panel of prestigious judges who helped us to select the women who are moving the dial in FinTech."

Helen McKay

Facebook payments update

A new mobile payments feature for messenger service WhatsApp is expected to be launched across a number of countries this summer.

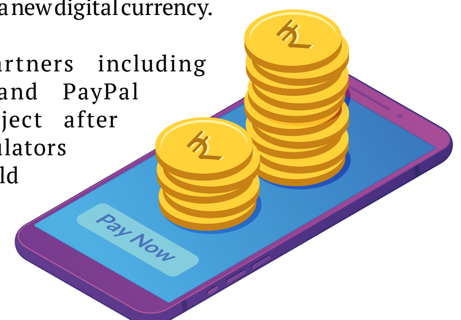
Social network Facebook, which bought WhatsApp in 2014 for around £15bn, is targeting countries with large populations, such as India, Mexico, Brazil, and Indonesia.

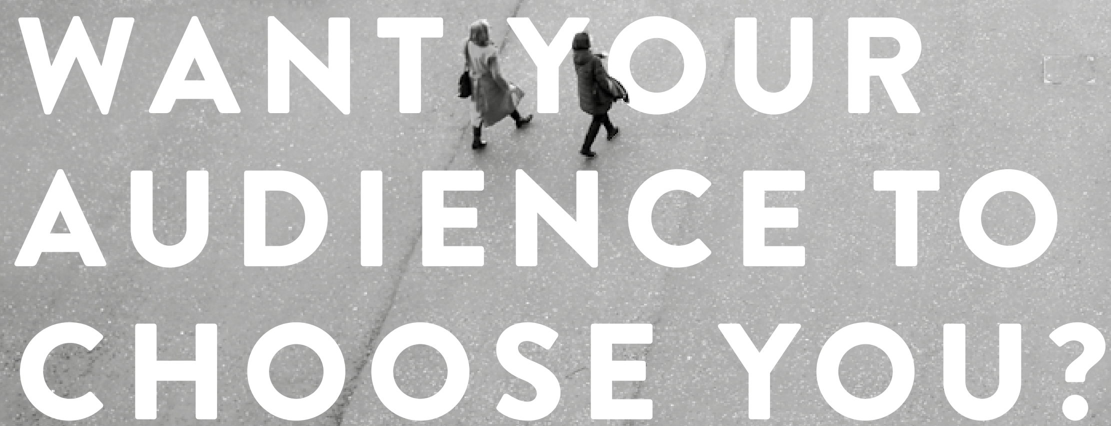
"You're going to be able to send money as quickly and easily as sending a photo," Facebook CEO Mark Zuckerberg said in a quarterly earnings conference call with analysts.

A million users in India took part in a trial of the WhatsApp Payments service in 2018.

Meanwhile Facebook appears to be dialling back its plans to launch Libra, a new digital currency.

Major financial partners including Mastercard, Visa and PayPal abandoned the project after lawmakers and regulators globally feared it could be used for money laundering and upend the global financial system.





CHOOSE US.

We deliver content with intent. It builds relationships and moves audiences through the funnel. That's why the world's leading financial services brands have been choosing to work with us for over 20 years.

To find out more, call us for a free content consultation.

Tony Dickson
tony@editionsfinancial.com
(+44) 20 3911 7530

EDITIONS
FINANCIAL

editionsfinancial.com

Insight. Strategy. Delivery. Analysis.

Institute agenda

Transforming culture

Last year we reported that the Institute had been asked to support the Financial Conduct Authority's Purpose Working Group.

The FCA has now published a discussion paper 'Transforming culture in financial services – driving purposeful cultures' (DP20/1). This collection of essays from industry leaders, professional bodies and culture experts explores the role of purpose in driving a healthy, sustainable culture. The paper includes an essay on retail banking from Institute CEO Simon Thompson, who chaired a workstream on the subject.

This initiative represents a key opportunity for professionals to create higher standards within their sector, and to influence the way it is regulated in the process. Two years ago, in its previous paper (DP18/2), there wasn't a single mention of professionalism. Now the FCA has published multiple essays on the topic, sending a strong message to firms, markets and individuals about the importance of professionalism in financial services.

The FCA will be continuing to explore the theme of purpose, using the perspectives in the essays as a starting point for future work. Read the discussion paper at: fca.org.uk/publications/discussion-papers/dp20-1-transforming-culture-financial-services-driving-purposeful-cultures

IBF accredits Green Finance Certificate

Singapore's Institute of Banking and Finance (IBF) has awarded the Chartered Banker Institute Accredited Provider status and our Green Finance Certificate is now an accredited programme under the IBF's Standards Training Scheme (IBF-STS).

The scheme provides funding for training and assessment programmes accredited under Singapore's Skills Framework for Financial Services. This gives the Green Finance Certificate official status in Singapore and means the government will cover 80% of the cost for those wishing to take the qualification.

Green Finance Essay Competition

Safe stewardship (of customers' money) has been a fundamental principle of the Chartered Banker Institute since it was established in 1875. Today, we consider stewardship in its broadest sense – beyond finance to encompass the safe stewardship of our environment and resources.

The transition to a sustainable, low-carbon economy is possibly the greatest global challenge for this and future generations, with green finance and green finance professionals playing critical roles.

Building on the success of our 2019 Sustainable Finance Essay series with the Social Market Foundation think tank, we have launched a new Green Finance Essay Competition with the winning entry featuring in the 2020 Sustainable Finance Essay series.

We are asking applicants to answer the following question:
"How can finance professionals actively encourage changes to consumer behaviour to achieve society's goals on climate change?"

Essays should refer to the UN's Sustainable Development Goals and the Paris Climate Agreement, you can find full details of the competition on our website at https://bit.ly/2wwc3iu. The closing date for entries is Friday 31 July 2020.

EXAM DELIVERY:

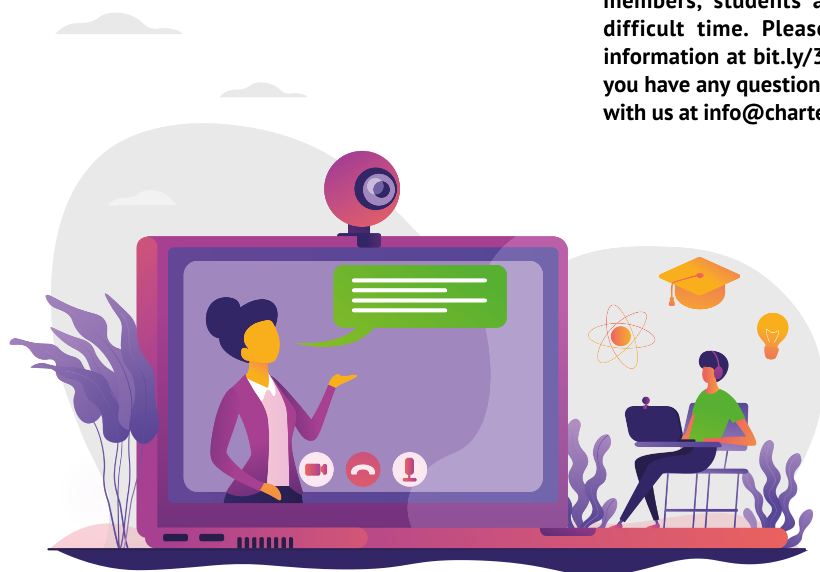
New partnership

In January the Institute was delighted to announce a new partnership with Pearson VUE to deliver our exams across the UK and internationally.

This partnership will enable our members to take their exams in nearly 200 locations across the UK and Ireland, along with a large network internationally. It also offers learners the opportunity to take their exam via remote proctoring.

Remote proctoring (or remote invigilation) is a new service, which means candidates can take their exam at a time convenient to them in their home or office, instead of with large numbers of candidates in a room on a set date. The main requirements are a quiet, private location, a good internet connection and a device with a webcam. Following a simple check-in process, candidates are monitored via their webcam and microphone for the duration of the exam.

The Institute's full suite of examinations is now available to book online and early feedback has been extremely positive. We are currently working to extend access to a number of our international partners including the Financial Services Institute of Australasia (FINSIA) and the Asian Institute of Chartered Bankers (AICB).



COVID-19:

Coronavirus update

The safety and well-being of our members, students, staff and partners is of the utmost importance. We are closely monitoring developments relating to the coronavirus pandemic and guidance and information issued by the World Health Organization, national governments and others.

Chartered Banker Institute qualifications are delivered online. Members and students can, therefore, continue to study safely at home or in the office. Exams can also be undertaken from home or office via remote invigilation.

The Institute is committed to supporting its members, students and partners in this difficult time. Please review the latest information at bit.ly/3cKmTSE, and should you have any questions, please get in touch with us at info@charteredbanker.com

EVENT:

AGM and lecture announced

The Annual General Meeting of the Chartered Banker Institute is scheduled to be held on Thursday 25 June 2020 from 6pm at the Kimpton Hotel, 38 Charlotte Square, Edinburgh EH2 4HQ.

Following the AGM we will be hosting a lecture. Further details will be announced shortly.

Thursday 25 June 2020, 6pm
Kimpton Charlotte Square Hotel, Edinburgh.

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

Chartered Banker

THE FLEXIBLE, ACCELERATED ROUTE TO CHARTERED BANKER FOR EXPERIENCED BANKING PROFESSIONALS

CHARTERED BANKER BY EXPERIENCE

Designed for experienced banking professionals who wish to gain Chartered Banker status in as little as 12 weeks in three steps.*

The programme is ideal for individuals who:

- Have at least 10 years of business experience, including 5 years of relevant banking and financial services experience
- Want recognition for their expertise, experience and contribution to banking
- Aim to meet current and emerging regulatory requirements for the demonstration of high professional standards
- Seek an accelerated, flexible yet rigorous route to Chartered Banker status.

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

Upon completion of Chartered Banker by Experience you will:

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

MORE INFORMATION

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

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

SPECIAL REPORT

Better banking experiences

A good financial transaction or product is no longer enough; today customers expect the same seamless, personalised experiences that we are used to in other areas of our lives. Culture, purpose and values – and a brand's ability to align its business practice with these – are also playing a much more influential role in defining the brands we interact with and, crucially, trust. As banking adapts to the shift from a transactional to more experiential mindset, *Chartered Banker* explores how customers' expectations are changing – and how banking providers across the industry are innovating and reshaping to serve tomorrow's customer.

> "Whatever brands do and whatever they stand for, they have to mean it and live by it or customers and prospective customers will see through it."

Open Mic, p14

18 **Best in class**
Lessons from retail.

20 **Bank – and relax**
Branch of the future.

21 **Financial education**
The role of banks.

23 **Diverse needs**
Customers in focus.

SPECIAL REPORT

The customer *is always right*

In a world of rising expectations, this issue's Open Mic asks what tomorrow's bank customers are seeking – and what will send them straight into the arms of the competition.

STEVE WARDLAW
Chairman, Emerald Life

What will the customer of tomorrow most value in a bank?
Two things stapled together: one is complete ease of doing simple things. But, second, for the more complicated stuff, having very quick access to some form of personal service. And that's what the bank would want as well because otherwise the more complex stuff would go somewhere else and a bank would become a low-end provider.

What is most likely to put you off a brand or company?
Fake values. People are too smart now with social media and will rip any inauthentic business to shreds.

MARLENE SHIELS
Chief Executive, Capital Credit Union in Edinburgh

What will the customer of tomorrow most value in a bank?
Let's ask: "Who is the customer of tomorrow?" I believe the next couple of decades will see unprecedented change in financial services. Will banks even exist in 20 to 30 years? The customer of tomorrow will want something very different from customers today.

"Value will not be driven solely by the bottom line."
Marlene Shiels, Capital Credit Union

“Companies that fail to align their strategy, culture and delivery with their purpose and values… will see trust and, consequently, their customer base quickly eroded.”

Hanif Barma, The Risk Coalition

Everyone will expect speed, ease of use and competitive products, but that will be only half the story. Ethics, trust and culture will be paramount in relationships with customers.

The customer of tomorrow will be more attuned to the connectivity of how we bank, and the planet. Value will not be driven solely by the bottom line. Philosophy is good business, and it’s not just younger people who will want their financial services provider to do the right thing. The customer of tomorrow will demand more of their banking partner, and will want to be a partner, not just a customer.

What is most likely to put you off a brand or company?
Putting profits before everything else.

HANIF BARMA
Co-founder, The Risk Coalition, and founding partner of governance consultancy Board Alchemy

What will the customer of tomorrow most value in a bank?
Many of my banking needs today are conveniently and easily transacted on my mobile and, with few exceptions, everything works slickly. But, sometimes, things I need aren’t entirely straightforward and, sometimes, things go wrong. From a customer perspective, the continued improvements and efficiencies that technology brings need to be matched by far better customer service to sort things out when the need arises – without long wait times, without being handed from one department to another and without the stress that these situations inevitably bring.

What is most likely to put you off a brand or company?
Trust and integrity lie at the heart of any brand. Companies are increasingly focusing on establishing a clear purpose and building a strategy to achieve business goals aligned with this purpose. Companies that fail to align their strategy, culture and delivery with their purpose and values – or if they, their

SPECIAL REPORT

executives and staff lack integrity in delivering this purpose – will see trust and, consequently, their customer base quickly eroded.

ALISON HOUSTON
Head of Professional Career Development Programmes, RBS

What will the customer of tomorrow most value in a bank?
I think the customer of tomorrow will be a broad demographic, as we live longer, but see an emerging population of youngsters who have different priorities from previous generations in terms of the environment and the type of financial instruments they need.

Different people will want different things, as always, but I think we will see more people prepared to pay a premium to connect with a company that shares their values.

Convenience and relationships will continue to be important. I see even more complex transactions happening online and more relationships via video calls so that our customers – many of whom will be working from home – can keep their carbon footprint and expenses low and make the most of their time and money.

What is most likely to put you off a brand or company?
Incompetence, poor processes but, most of all, bad service. It's the people in the company that will make or break a brand.

"I think we will see more people prepared to pay a premium to connect with a company that shares their values."
Alison Houston, RBS

JO CAUSON
CEO, the Institute of Customer Service

What will the customer of tomorrow most value in a bank?
Our research suggests we are seeing an erosion of trust in many institutions while customers' expectations and behaviours are changing. We have become more diverse, demanding and polarised in our attitudes – with emotional connection, sustainability and ethics now important factors.

Customers want to see well-deployed technology and automation 'that just works' for transactional service, combined with human empathy and well-trained staff to deal with more complex enquiries and provide knowledge and advice.

What is most likely to put you off a brand or company?
Our research shows the most off-putting issues for customers are:

- Not being able to contact someone when you need help
- Fear that personal data is being used inappropriately or a lack of data transparency
- An inconsistent experience across channels.

YEAR 10 STUDENTS
Walthamstow School for Girls, London – MyBnk Ambassadors

What will the customer of tomorrow most value in a bank?
First, the number one issue is security, especially in view of the recent coronavirus-related stock market crash, and also knowing that a bank is the safest place to keep money.

Second, the bank should have good and prompt communications with customers regarding potential fraud.

Third, banking apps, such as Monzo, that track spending and are updated regularly to improve communications and add new features.

What is most likely to put you off a brand or company?
We consider word of mouth to be more effective and important than advertising. We would be disinclined to use a bank if family/friends/a trusted person said any aspect of it was bad.

We are also extremely aware of ethical issues, specifically if a bank invested in companies that hired underage workers or was known for having an unequal pay policy.

GUY RIGDEN
CEO, MyBnk

What will the customer of tomorrow most value in a bank?
What they most value today: that banks don't lose their money and make it easy for them to transact.

What is most likely to put you off a brand or company?
Losing trust in it.

LOUISE HILL
Co-founder and COO, gohenry

What will the customer of tomorrow most value in a bank?
The customer of tomorrow will be both a digital and a cashless native and will expect banks to offer more than just a financial transaction. People who are used to the services of solutions like ours are naturally far more demanding of 'adult' financial services than previous generations. It's not enough now to simply offer a good service. Banks need to be using tech for good and helping to give back to society, whether through financial education, corporate social responsibility (CSR) initiatives, or environmental ones. This is expected as standard by younger generations.

What is most likely to put you off a brand or company?
Insincerity. There are some big brand commercials out there at the moment, I won't name names, where it feels like these brands are simply ticking boxes – on inclusivity, on environmental concerns – and it just doesn't ring true. Whatever brands do and whatever they stand for, they have to mean it and live by it or customers and prospective customers will see through it. Trust is therefore huge for any brand and it's something we've worked hard to build up at gohenry. As a service protecting two of life's most precious 'possessions' – children and money – we need to be open and honest at all times. As all brands should.

JOHN AVES
Chief Executive, cp2experience

What will the customer of tomorrow most value in a bank?
I value a bank that behaves in a way that causes me to trust it. Trust has to be earned by its being there to help me with my financial decisions – both small and straightforward or large and life changing. I expect my bank to treat me as an individual and show me that it cares. I expect it to know me and my history regardless of the channel or platform I choose to use.

What is most likely to put you off a brand or company?
If I am not already a customer, I am likely to be influenced by the personal experience of people I know. As a customer I am put off a company that lets me down, behaves unethically, focuses on its own interests and profitability – while often describing a change as in the interests of customer service – and an adherence to rules and regulations that fly in the face of common sense.

DAVID CAMPBELL
Financial Planning & Retirement Design Lead, Design, Group Transformation, Lloyds Banking Group

What will the customer of tomorrow most value in a bank?
I believe that as banks we need to break out of our product silo mentality and refocus our services on the lives, loved ones and long-term goals of our customers. Many customers either don't recognise, understand or have the time to understand the actions required to secure their financial future. We should be considering how we can utilise machine and artificial intelligence to engage with customers on their terms and in a manner that is relevant to them. Banks need to pivot to understand the social context of people's lives and the goals they are trying to achieve for themselves and their families. At Lloyds we are understanding customers' cognitive biases to help us tailor our interactions in a more simple, human and reassuring way, enabling customers to make great decisions about their financial future.

What is most likely to put you off a brand or company?
A one-size-fits-all mentality. As customers we will all have critical life moments or an unfolding scenario during which we experience negative emotions. If a company accommodates the customers' needs early on in these scenarios they build trust and loyalty. CB

SPECIAL REPORT

Are we ready for IKEA-style banking?

Banks seeking to offer best-in-class customer service could pick up some tips from major retailers – and loosen up the 'computer says no' rule at the same time.

Technology has become integrated into almost every aspect of our daily lives and banking is no exception. Yet for most of us it is something of a love-hate relationship – it can be easy to forget the huge gains in convenience that banking technology has brought to customers over the past 50 years when we are waiting in an automated queue on the telephone to speak to a human being.

Tomorrow's customer

John Aves, CEO of specialist customer experience consultancy cp2experience, points out that when it comes to customer service, banks are not so much in competition with each other as with the levels of service offered by other sectors.

"It's no longer good enough to say 'this is what we do in FS' because customers' expectations are based on best-in-class in other sectors," he points out.

Louise Hill, COO of children's prepaid card app gohenry, suggests that the coming generation of banking customers will be even more demanding. "They are not just digital natives, they are cashless natives. Anyone who has grown up using our kind of service will expect a slick digital interface, they'll expect real-time transactions."

Aves accepts that financial institutions face a difficult task in delivering across multiple channels, from website, social media and chat through to telephone banking and the face-to-face experience in-branch. However, he points out that customers' expectations are only getting higher – and are often not being met.

"The experience needs to be seamless across all these channels. From the customer's point of view it is often not consistent and not easy to access."

Aves' colleague, Managing Director Mark Gould, says customers' needs continue to be focused on convenience, personal service and competitive products.

"It's about knowing me as a customer and treating me as an individual, online and offline. Using what you know about me to provide products customised to my needs."

Cp2experience sum this up with a value equation comprising two parts, the 'what' and the 'how'. They point out that while banks have a tendency to focus on the 'what' in terms of products, customers tend to make judgements based on 'how' these products are delivered.

All about the 'how'

"The 'how' is the service component," says Aves. "Do I trust you? Do you treat me as an individual? Are you empathetic? Responsive? Reliable? Do you do what it says on the tin? Then finally there's the cost, which is not just about the price of the product but the 'hassle factor' involved."

Jo Causon, CEO, the Institute of Customer Service, points to her organisation's own research in this regard. "About 26% of us will pay substantially more for great customer service. And about another 60% of us are interested in paying what we would call value for money."

> **"About 26% of us will pay substantially more for great customer service."**
>
> Jo Causon,
> CEO, the Institute of Customer Service

Causon recognises there is a strong role for technology in delivering for customers: "What you don't want is human beings processing because that's a waste of resource. If there is anything that is purely transactional then tech should take the strain."

Compliance vs common sense

However, all are of the opinion that bank customer service tends in itself to be too transactional.

Aves says: "There's a regime of 'computer says no', which is there because banks are scared stiff of doing something that will get them into trouble. And staff are worried about personal liability, so they don't apply common sense, they're too worried about being called out for not following the letter."

Gould says that regulation intended to ensure better service for customers has made banks more motivated by compliance than solving issues for customers, with the result that staff are often hamstrung.

"It's a shame because the rules are intended for the benefit of the customer rather than the bank. And empathy and curiosity are unlikely to break the rules. There's a tendency to be 'bank first' and about protecting the bank rather than addressing customer need."

Aves agrees: "It's about permission to operate within a frame of reference."

Ask most customers what most annoys them about their bank and they are likely to refer to waiting in a queue for human intervention. Aves admits that the gating process is a 'necessary evil' but one that most banks need to manage more effectively.

"It's a balancing act between the desire to enable people to get through quickly and an inability to forecast accurately the flow of calls. Tech has a role to play in terms of artificial intelligence [AI] filtering questions," he adds.

Aves also sees a role for technology in dealing with more routine queries: "AI can be useful in terms of giving consistent and appropriate advice, rather than the potentially more variable advice even from a trained professional. Consumers will hopefully grow to trust AI to do this."

As well as systematised advice, a 2019 report by Foresight Factory for CYBG identified several further ways in which technology can deliver a better experience for customers, including:

- More sophisticated budgeting tools offering account aggregation and predictive analytics
- Virtual reality to enable more direct remote interaction and an immersive view of key financial information
- Mass adoption of biometrics, including behavioural biometrics, for seamless and secure identification.

Ripe for disruption

Gould refers to a 'major failure' around banking products that are too complex and focused on the needs of the provider. He suggests banks could learn from retailers by packaging products to appeal to the needs of customers.

"Most banks have regular savings accounts or ones where you can pay in when you can. But what about having a 'First Car' account or a 'College Fund' account? There's no complexity as it's essentially the same product but the experience is much more customer-focused."

Another area where Gould feels traditional approaches are ripe for disruption is in commercial banking, at least in terms of small and medium-sized enterprises (SMEs).

"With SMEs banks tend to be even more wary of regulation, in a way, because of the risk of money laundering. For businesses there's even more need for speed of gratification, yet the documents required are more complicated and response times longer."

Gould suggests the way in which IKEA is disrupting how we buy kitchens as a good model for the future of banking in which the customer is in control. Fewer, bigger stores provide inspiration and advice, giving you access to a consultant with whom you can start designing the right solution for you.

"When you're ready you can then press the button to order and either pick the boxes or have someone come in and fit the whole thing for you. It's full service or DIY. There's no reason not to do mortgages or pension plans in the same way." CB

"It's no longer good enough to say 'this is what we do in FS' because customers' expectations are based on best-in-class in other sectors."

John Aves, CEO, cp2experience

SPECIAL REPORT

Bank – and relax

Shared hubs, virtual reality corners and complimentary coffee – some banks have transformed their in-branch offerings from the purely transactional to the highly experiential.

With transactional banking increasingly moving online, banks are recognising the need for a change of focus when it comes to designing, or redesigning, their branches. The branch of the future is being reimagined as a destination that reinvents the customer experience and acts as a cornerstone of brand affinity.

"The reason people still go into branches is that they want something that is personal and require reassurance," says Jo Causon, CEO, the Institute of Customer Service. "Most of the time you don't want to have contact, you want to deal with it online, but when you do want to have contact, it's got to be good."

Mark Gould, Managing Director of customer service consultancy cp2experience, predicts an increasing focus on larger branches with greater access to tech-enabled specialist advice.

"Allied Irish Bank [AIB] is doing some great work in introducing iPads and using consultative selling techniques, sitting side by side with customers. And Jyske in Denmark is systematising advice given with a series of questions asked early in consultation. The system then gives a comprehensive recommendation rather than relying on the experience of the adviser, to make an easy and consistent journey."

The rise of experiential banking

Looking at new branch openings both in the UK and abroad reveals a full spectrum of approaches to customer experience, from the purely transactional to the highly experiential.

The Business Banking Hub opened by NatWest, Lloyds Bank and Barclays in Birmingham in 2019 is the pilot for a network of hubs specifically designed to meet the needs of businesses. The Hub is open 8am to 8pm seven days a week for companies which need to carry out cash and cheque transactions involving large volumes of coins, notes and cheques.

As well as being the largest bank branch in Britain, Halifax's Oxford Street flagship branch aims to deliver a new approach to transactional banking. Its Home Hub helps customers with all aspects of the mortgage process, while in the Travel Zone customers can exchange more than 40 currencies or get advice on how to pay for goods and services while abroad. Upstairs The Kitchen offers free events and financial advice seminars alongside coffee and snacks.

Combining form and function

Branches based around multifunctional open-plan spaces, such as the network of Argentinian bank Banco Galicia, have been a strong trend in recent years. Modular self-service stations, tablets and free Wi-Fi areas update the traditional branch model and provide a more natural and consultative experience.

Singaporean bank DBS' flagship branch embodies two key trends. The open layout and on-site café is typical of the 'bank and relax' concept. At the same time the branch incorporates a highly digital experience, including an industry-first virtual reality (VR) corner for retirement planning, video tellers and a humanoid robot dispensing advice on how to make use of the tech.

Virgin Money Lounges (pictured left) are intended to be as much a perk for customers as a banking facility. While the Lounges have spaces designated for customers to do their online banking, they are also billed as places for customers and their guests to relax and unwind. Lounges offer complimentary refreshments, free Wi-Fi, newspapers, magazines, and access to TVs and iPads.

CaixaBank's imaginCafé in Barcelona pushes the concept of a 'third space' even further. Designed to support the company's mobile-only imaginBank brand, imaginCafé is more akin to an arts venue than a bank branch. CB

SPECIAL REPORT

Engaging the customer of tomorrow

As our relationship with money becomes both more abstract and more complex, what role do banks, FinTechs and other organisations have to play in providing financial education to young people?

In the past, piggy banks had pride of place in every child's bedroom and children's savings accounts were routinely used by banks to gain customer loyalty at an early age. Today both seem something of an anachronism. With the need to educate young minds about money matters arguably never greater, financial sector organisations are rising to the challenge in very different ways.

Structured learning

British charity MyBnk, which was founded by microfinance specialist Lily Lapenna and youth programme expert Michael Norton OBE in 2007, aims to instil positive financial habits in young people from primary age to adulthood.

MyBnk CEO Guy Rigden emphasises the fact that, while parents are usually motivated to help children learn about financial matters, they do not always have the tools and expertise a specialist organisation can provide.

"It's difficult to get parents confident enough to do the right thing for their kids if that's not happening naturally."

Instead of providing educational materials to teachers, MyBnk's trained and tested staff deliver fully developed programmes targeted at different age groups.

Rigden explains: "For very young children, it's really about developing key areas of knowledge: you're trying to help them to understand what money is, where it comes from, how it's useful and to feel comfortable talking about it. And the second major thing is to start to instil positive money habits."

At primary school level MyBnk address attitudes, mindsets and behaviours such as delayed gratification and saving. This work is funded by KickStart Money, a consortium of UK investment funds such as Quilter and Standard Life Aberdeen.

At secondary level MyBnk starts to introduce money management skills, as well as awareness about how to make the right choices as they transition into independent living: "It's really concentrated in wants because, hopefully, most young people are still looked after," says Rigden.

For young adults, choices become much more important in terms of financial survival, particularly for those in vulnerable circumstances, with whom MyBnk does a lot of work.

"It's better to make a £2 mistake aged seven than a £2,000 mistake aged 27."

Louise Hill, COO, gohenry

"It's not necessarily that this group is worse with money, it's that the consequences of making a mistake come around much more quickly," comments Rigden.

MyBnk's programmes for this age group offer quite specific and practical advice, such as how tenancies work, what happens if you fall behind with your credit card bills, and how to get access to Universal Credit. A bespoke project, The Money House, has become an award-winning youth homelessness prevention scheme for London local authorities.

Over the last two years, independent evaluators ERS Ltd and Substance have found that MyBnk participants develop money behaviours that last: they start to save, reduce debts and avoid eviction.

Rigden recognises the role of banks and other financial institutions in providing clear information about their products, but believes financial education is best left to expert providers.

SPECIAL REPORT

"At present, I don't think banks are specialist educational organisations. There are pitfalls in putting out resources that may not have been fully researched or where banks may not have fully thought out how people are going to use them. It's difficult, it's not their main job."

Learning by doing

While coming from a very different place, kids' prepaid Visa card and app gohenry also positions itself as a means for children to learn about money in a safe, structured environment.

"We're not a bank account, we're much more than that," says COO Louise Hill. "We're a tool for parents to teach their kids about money and we're also a tool for kids to learn to be good with money. Because we believe the best way of learning is by doing."

ADULT FINANCIAL LITERACY

Societal changes mean that increasingly the need for financial education stretches well into adulthood.

Guy Rigden of financial education charity MyBnk believes the level of personal financial responsibility being pushed onto individuals is increasing.

"For example, university finance may be a future charge on tax rather than a debt per se, but certainly you are now making a very significant financial choice as to whether you go to university, as well as a life choice."

Auto enrolment is another area where Rigden believes it is important for individuals to understand the choices being made for them.

"People will be investing through a workplace pension pretty early in their career and they need to understand the concept of what's going on."

MyBnk begins to teach investment concepts, including pensions and ISAs, from the age of 15, treating them as a branch of savings. But for those already in work, this kind of education is arguably equally important, particularly for the increasing number of people who are either choosing to start their own businesses or who are part of the so-called 'gig economy'.

While there are organisations such as the UK government's own Money Advice Service providing advice to adults, the Institute of Customer Service's CEO Jo Causon sees a huge opportunity for banks in terms of adult financial education. She has worked both with the Financial Conduct Authority (FCA) and with banks themselves around culture and purpose – and believes the customer of the future wants to be helped more.

"When you look at the data sets, younger customers are much more interested in being supported and helped around what they should do. In a very complex environment, I think the advisory capacity, that is the educational capacity, is a really great opportunity for this sector because it's something that customers want and need."

Our CEO has a clear way of thinking about this, says Hill: "It's better to make a £2 mistake aged seven than a £2,000 mistake aged 27."

Like Rigden, Hill sees today's young adults as being vulnerable if not equipped to cope with today's financial environment.

"I have an 18-year-old and a 21-year-old – both of whom are already receiving credit card offers. My youngest has just got his provisional licence, so he's also being bombarded with car loan offers."

Gohenry is organised around what Hill calls the Four Pillars of Money Management: earning, spending, saving and giving. Parents can set children tasks to earn money, such as helping round the house or washing the car. When they spend money, push notifications arrive in real time to both the child and the parents' phones, which include an update on the card balance.

"It's good information for the child, because they're always reminded of their balance and they see that when they spend it decreases," comments Hill. "And for parents it's obviously a safety net as well."

> **"Digital money can very easily become an abstract concept. Kids need to learn that. If you give them cash they only see part of how money works."**
>
> Louise Hill, COO, gohenry

The app is customisable, enabling parents to set their own spending limits and choose whether to allow access to ATMs and online purchases as well as in-store purchases.

In terms of saving, parents or children can set goals and the app can either periodically autosave a set amount or the child can add funds on a one-off basis. Finally, gohenry partners with the NSPCC in the UK (as well as the Boys & Girls Club of America in the US) for children who want to help their less fortunate peers.

Hill believes apps such as gohenry will give today's teenagers an advantage over previous generations.

"Digital money can very easily become an abstract concept. Kids need to learn that. If you give them cash they see only part of how money works. Before, kids were being given cash but we were using ATMs and paying digitally online and offline."

Gohenry's website makes much use of non-commercial language, talking about its 'community' and even describing customers 'graduating' from gohenry. Hill sees this sense of a social purpose as central.

"We've worked incredibly hard to build trust. When new people join we protect the most precious things in their life – their children and their money. So it's massively important to be open and honest." CB

SPECIAL REPORT

Vive la différence

The financial sector has done much in recent years to address diversity in its workforce, but there is plenty still to be achieved in terms of meeting the needs of a diverse customer base.

There is no doubt that financial firms are acknowledging the need to address diversity. HM Treasury's Women in Finance Charter has been signed by the majority of big banks, insurers and investment firms. The UK government's Race at Work Charter, developed in partnership with outreach charity Business in the Community, has a similar focus and is also well supported by financial services firms.

Meanwhile, in July 2019 the Bank of England published its own 'Out and Proud Charter' expressing its commitment to support LGBT+ colleagues, and invited other organisations to adopt it.

However, these initiatives, while positive steps, are all about promoting gender diversity in terms of representation, opportunity and pay equality within firms, rather than ensuring businesses address the needs of a diverse customer base. Research by HSBC, for example, found that despite having more or less equal financial knowledge, more than a third of women are put off by financial jargon compared with only a quarter of men. Small changes to vocabulary and tone are potentially enough to address this issue.

Crossing the perception gap

Steve Wardlaw is CEO of specialist insurance provider Emerald Life, which provides insurance to a growing range of customers underserved by traditional firms. As well as being a gay man and an astute businessman, Wardlaw is a seasoned observer of the financial sector's attitudes towards diversity. He recognises the good work carried out by financial institutions to address diversity internally but feels that good intentions towards customers do not always result in services truly designed to embrace diversity.

While not accusing banks of 'pink washing', he does feel that large financial institutions tend to avoid taking the more difficult and costly decisions involved in truly addressing diversity.

"For example, if your employee LGBT+ group says 'we'd like some money for a pride float', management will say 'yes, of course'. If they ask 'can we rewrite our life insurance policies?', they are unlikely to receive the same response."

In 2016 Emerald Life commissioned YouGov to conduct a survey into the insurance sector. The results were sobering, with LGBT individuals in the UK found to be 50% more likely to have no insurance at all.

"When we asked why, we were told three things. 'I can't get insurance because I'm LGBT', 'I'll pay more because I'm LGBT' or 'I won't get paid out because I'm LGBT'. Wardlaw points out that these statements are not entirely true, but says they sum up the perception gap the industry needs to cross.

Like many newer financial services businesses, Wardlaw sees social purpose as fundamental to Emerald Life's existence.

"I think of us as like a modern-day co-operative movement. We're actually almost an advocacy organisation that funds itself through business. So, part of our role is educating the sector but also educating diverse customers about what there is available."

As part of this approach Wardlaw meets regularly with senior stakeholders, including the management of larger firms and organisations such as the Institute and Faculty of Actuaries, in an attempt to provoke meaningful change within the industry.

SPECIAL REPORT

"We're not just going to sell the 'least worst' product to diverse groups, we want these products to be fit for purpose and that's something that the insurance industry lacks."

Small but nimble

Wardlaw sees two key aspects to meeting the needs of diverse customers.

"It's a bit like a graceful swan. The bit above the water is the customer experience and the bit nobody sees, the frantic paddling, is the policy wording and the terms, and things like that."

In terms of the latter, Emerald Life has been successful in changing policy wording to make it more gender- and sexual-orientation neutral and to remove some of the remaining areas of discrimination in policies. Wardlaw admits that being small has its advantages in this respect.

"We have the ability, unlike some other insurers, to be very nimble. If that wording needs changing, I'll ring the underwriters and see if we can change it and often a document will change in two days because it's rarely something big."

However, Wardlaw admits there is only so much that a small firm with limited financial influence can do.

Listening to diversity

When the company launched it featured many LGBT images on its website. However, their visual approach changed following feedback from customers, which found the site 'too gay'.

"It was a learning experience for us – basically people want to see themselves as part of a broader community, not as part of a ghetto. So we softened things, which has also suited the business because now we work outside the LGBT market."

As well as providing services, Emerald Life also offers outreach to minority groups, such as a recent access to financial services drop-in event for trans individuals held at the Birmingham LGBT Centre.

"It's very important sometimes to unpick those initials LGBT because what you can sometimes find is the space gets overcrowded with white gay men – including me," says Wardlaw.

"The next stage for improving the lives of LGBT individuals is to think about planning savings. You will have a long-term, stable future, which you may not, in your head, have thought you had 20 to 30 years ago. So, what are you doing with the stuff that you even in your head you subconsciously think of as being for the traditional family?"

"It's a bit like a graceful swan. The bit above the water is the customer experience and the bit nobody sees, the frantic paddling, is the policy wording and the terms."

Steve Wardlaw, CEO, Emerald Life

"The reason we don't do life insurance, critical illness cover or income protection as products is that they still contain fairly egregious HIV-phobic and trans-phobic wording or qualification criteria."

Where a smaller firm can have a big impact is at the level of customer service. At Emerald Life, all staff are trained on LGBT issues, including the use of correct terminology and understanding HIV as an illness. The company also has an internal transgender advisory group, T Squad, and maintains strong relationships with the Terrence Higgins Trust and the National Aids Trust.

"It's important for us to be at the cutting edge and demonstrating that to our customers by using the correct terminology. So, for instance, the surgery for transitioning used to be called gender reassignment surgery – it's now called gender confirmation surgery."

From initially serving the LGBT community, Emerald Life's services have grown rapidly in scope to provide cover for women, non-traditional families and single people. Wardlaw says the business is also being approached about minority ethnic issues and are also looking at disability and mental health.

Wardlaw sees a hidden issue in the UK's generally tolerant attitude towards diversity. "It's much easier to counter intolerance than it is to counter indifference," he says. "The Equal Pay Act for women is 52 years old and we're still finding people putting claims through. So, there's never an end to arguments about equality because once you get beyond illegality and criminality and persecution, you then get to equal family structures, then you get to equal services, equal retail etc." CB

INVESTING IN INCLUSION

With major shifts taking place in the demographics of wealth, what are investment businesses doing to better reflect the society they serve and engage with a rapidly changing customer base?

According to the Boston Consulting Group, between 2010 and 2015 private wealth held by women grew from US$34tn to US$51tn. This year, women's global wealth is expected to hit US$72tn, or 32% of the overall total.

With more and more of the world's assets held by women, you might expect investment businesses to reflect a similar gender balance in its workforce. In fact, only one in 10 fund managers in the UK are female, while in the US, just 184 of 7,000 mutual funds are run by women.

Meanwhile, the picture is little better from the standpoint of ethnicity. The UK-based Investment Association published its own Black Voices report in 2019 that highlighted the fact that only seven people, making up less than 1% of UK investment managers, are black. This despite the fact that the lion's share of the UK investment industry is based in London, where people from this ethnic background make up 13% of the population.

Educational diversity is also an issue. 2019 research by Diversity VC, sponsored by Silicon Valley Bank, found that one in five venture capital professionals in the UK attended either Oxbridge, Stanford or Harvard – in the US 40% have graduated from either Stanford or Harvard.

"Diversity makes us all stronger. Different voices, opinions and experiences help investment performance, widening horizons and discouraging group think."

Chris Cummings,
Investment Association

Rachel Harris of the Diversity Project says that if anything, the 'right' education has actually become more important over the past few decades. She admits the investment industry has an image problem.

"Yes, sadly that is true and that's the rationale for the Diversity Project being set up in the first place."

The Diversity Project is a cross-industry initiative that works with more than 50 organisations, seeing partnership as integral to achieving its goals. Its definition of diversity is impressively broad, taking in neurodiversity (including people diagnosed with autism spectrum disorder, ADHD and dyslexia), workplace returners (defined as anyone who has taken a break from the workplace of 18 months or more), and accessible working practices such as home working, flexi-time and part-time working.

"We have nearly 70 member firms now so I think that proves that the industry is receptive to the message," says Harris.

Although it has perhaps the most comprehensive approach, the Diversity Project is far from being a lone voice in the sector. LGBT Great, for example, is a global investment industry organisation focusing on workplace inclusion for LGBT+ individuals. Meanwhile the #talkaboutblack campaign has finally put the under-representation of black people in the industry spotlight.

In terms of educational diversity, Harris highlights the Investment Association's Investment 20/20 initiative, which focuses on attracting school leavers into the industry through promotional events, networking and, most importantly, apprenticeships and other career opportunities. The Diversity Project itself has partnered with social mobility charity upReach to launch the Investment Industry Springboard, a mentorship programme that targets students from less-advantaged backgrounds with an aim of boosting social mobility within the industry.

Harris believes workforce diversity does more than just make firms more attractive to existing and potential employees: "If firms make inclusion a business priority we believe it's going to improve reputation and brand, so it's a very positive feedback loop."

On launching the Black Voices report, Investment Association Chief Executive Chris Cummings summed up the importance of diversity not only as a moral imperative but as integral to the future health of the industry.

"Diversity makes us all stronger. Different voices, opinions and experiences help investment performance, widening horizons and discouraging group think. And we need to be connected with all our clients."

Chartered Banker

GREEN FINANCE CERTIFICATE

The world's first benchmark qualification for Green Finance

The Green Finance Certificate is designed for financial services professionals wishing to enhance their knowledge and expertise of green finance. There are no entry requirements for the single-module Certificate, and no prior knowledge of the green finance sector is assumed.

Upon completion of the Green Finance Certificate you will have a comprehensive overview and understanding of the evolving green finance sector, covering:

- Scientific background to green finance - the transition to a low-carbon world, including change/risk
- Key concepts in green finance, including stranded assets
- Green finance principles, including the UN Sustainable Development Goals
- Risk management in green finance
- Green finance products and services (banking, insurance and investment).

MORE INFORMATION

For further information
visit: www.charteredbanker.com/green

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

THE DAVIDSON COLUMN

A wake-up call for banking

As the UK Customer Satisfaction Index marks its 12-year anniversary, Jo Causon, CEO, the Institute of Customer Service, sees huge potential for the country's banking sector to meet the needs of tomorrow's customers.

When we launched the Customer Satisfaction Index (UKCSI) 12 years ago, customer satisfaction was low. It started to increase until January 2013, when it fell off a cliff, largely due to cuts to customer service in the wake of recession. We then saw a slight upward trend – and now, disappointingly, it's starting to decline again.

Generally speaking, the banking sector performs above average, ranking around five out of 13, but it too has experienced a fall. I see this as a warning shot to the sector of the real danger of cutting customer service or seeing it as an add-on during challenging economic times. Instead, now is the time to think deeply – and this must come from the top of an organisation – about what you're trying to do in terms of serving your customers, and why.

> **"Customer service is not a 'nice-to-have'; it's fundamentally important to the well-being of any organisation."**

Customer service is not a 'nice-to-have'; it's fundamentally important to the well-being of any organisation. All of our research here at the Institute [of Customer Service] shows those organisations that consistently outperform in terms of customer satisfaction have higher levels of ROI [return on investment]. For example, those with above-average customer service satisfaction over a five-to-eight-year period have 10% higher levels of EBITDA [earnings before interest, taxes, depreciation and amortisation], 114% higher levels of productivity, and almost 5% higher levels of revenue.

It's not rocket science. Essentially customer satisfaction is about relationships. And it's not all doom and gloom either; within the banking sector, there are pockets of brilliance. Nationwide and first direct, for example, are generally in the top 10. So, what can we learn from them? If we take first direct, which is consistently in the top three, it has a leadership that's totally focused, perhaps obsessively so, on customer service and which meets with us regularly to keep on track. It's also very clear about the type of customers it is trying to serve and what it's offering. It invests in both technology and people to deliver the service its customers need.

From our data, customers look for five core basics from the organisations they deal with. As a customer, I want:

1. The ability to interact with an organisation the way I want to. That means having systems to deal with the transactional stuff and professional, competent, highly skilled individuals to support me.
2. A business that makes those interactions clear and easy for me.
3. A firm that does what it says it's going to do in terms of the product service experience. It needs to clearly communicate what's going to happen and deliver against that.
4. To feel that a business cares when there's a problem – which can happen. That it's taking that problem seriously, and that something's going to happen as a result.
5. To deal with an organisation that is ethical, that I trust – with my money and my data.

Even as customers change, these basics remain constant. Some may say that the service experience is becoming even more important as we prioritise experience over things when it comes to spending. Company values are increasingly important to today's and tomorrow's consumers – values such as trust, ethics, authenticity and sustainability. That presents the banking sector with a huge opportunity, particularly the traditional players where those values are often deeply embedded in the brand.

To seize that opportunity, the sector needs to wake up, to become more outwardly facing, to genuinely buy in to customer service from the board down and demonstrate a real curiosity about how they can best serve their customers. Those which are clear about their purpose, no gimmicks required, and have a real sense of who they're serving and why, as well as measuring and caring about their impact, are the organisations that will thrive in the future. CB

THE BIGGER THE BETTER?

Putting society first

Big banks can deliver financial value to customers and society – but face competition from smaller rivals in prioritising social and ethical value.

Scale usually delivers stronger returns for banks, but is bigger always better for the customer and for society?

"Banking is a very capital-intensive business, so large banks can exploit economies of scale, where the cost of production decreases the more they produce," says Barbara Casu Lukac, Professor of Banking and Finance and Director of the Centre for Banking Research at Cass Business School in London.

"Whether these savings are passed on to customers can depend on competitive conditions in the market. You can have a market that is very concentrated, with just a few larger firms. If these firms enjoy a monopoly position, they may not need to pass on savings to customers.

"Having a very diverse banking system is good for society."
Barbara Casu Lukac, Cass Business School

"This is when challenger banks can come in and start increasing competition, which can drive prices down."

There is much debate about how banks are organised and whether, for example, smaller banks, building societies and credit unions can deliver more value to customers and society by being closer to local communities than large commercial banks.

"These smaller providers might accept customers that large banks won't service, because they're not particularly profitable," Casu Lukac says. "They may be more able to service local communities and have a stronger bond with customers. Some of them are not-for-profit, so can only grow if their customer base grows."

Ethical issues also provoke much debate. "Large banks have very standardised approaches, so may not consider, for example, consumers with lower credit scoring, or other customers who don't fit traditional models."

Innovation is a key area where newer, smaller, entrants to the banking market have delivered value to customers and society.

"They may not have scale, but that allows them to be more agile," Casu Lukac says. "It allows them to be more flexible, and to go in and out of markets and products according to customer demand. In large organisations, before something can change or a new product can be offered, there are so many layers to go through, that change doesn't happen quickly. So, what big banks can learn – and have learned – from challenger banks, is to innovate."

Safety first

The flip side is that smaller, more innovative banks may not be as resilient or as safe as their larger peers. Recent news stories about the security concerns and other difficulties facing newer entrants may be an indication of this.

"The fact is that some of these new small players might go bust," Casu Lukac continues. "Newcomers enter the market and disrupt it for a while. But not all of them will be able to sustain growth and will either go bankrupt or might end up being acquired by a larger institution. What I expect – and what the market seems to anticipate – is that a few challenger banks and mobile-only banks won't survive. In the next few years, we are probably going to see some mergers and acquisitions. There has already been a failed attempt, for example, by RBS to acquire Monzo."

> **"Large banks can exploit economies of scale, where the cost of production decreases the more they produce."**
> Barbara Casu Lukac, Cass Business School

Coupled with this is the protection that big banks are afforded to ultimately protect customers and society.

"There is the 'too big to fail' assumption that regulators will come in and eventually help a big bank in a way that they wouldn't help a smaller bank," Casu Lukac adds.

"The big banks are also trying to lead now in areas like green finance and environmental issues, because they have the capacity to do so. Whereas some of the smaller players may not have the capacity to make a lot of these investments."

Casu Lukac's conclusion is that the banking market needs to have players of different sizes to deliver value to society.

"Having a very diverse banking system is good for society, because customers have very diverse needs," she says. "If you're looking at value for customers, theoretically it's good to have a banking system that has small, medium and large banks that all compete. They will have different characteristics and they'll be able to service these different customers."

Being different

Samtaler is a social value agency that helps businesses identify the things they can do to create social, environmental and economic benefits for their stakeholders.

Increasingly, contracts require bidders to demonstrate how they'll deliver this added 'social value.' For example, public sector procurers across the UK are now required by law to consider how their contracts can also secure wider social, economic and environmental benefits.

"I don't think it's about bigger being better, I think it's about being different," says Samtaler Founder and Director, Sarah Stone. "Larger organisations can potentially have a larger scale impact. Smaller organisations are more in touch with their customers' needs and more nimble, willing to innovate, create new products and challenge the status quo. We need both. It's not an either or."

On the bigger potential impact that large firms can make, Stone gives the example of investment bank Goldman Sachs announcing it will refuse to take a company public

THE BIGGER THE BETTER?

unless it has at least one woman or non-white board member. The new rule, championed by Goldman Sachs Chief Executive David Solomon, comes into effect on 1 July in the US and Europe and would have precluded the bank underwriting office space provider WeWork, which had a male-only board when it filed to go public last year.

Larry Fink, the billionaire Chairman and Chief Executive of US investment manager BlackRock, also holds huge sway through his annual letter to CEOs on corporate governance and sustainable investing. His 2020 letter, for example, warns that climate change has become a defining factor in companies' long-term prospects. And in 2018, he said BlackRock would be asking the companies it invests in to explain how their business makes 'a positive contribution to society'.

Stone says: "For BlackRock, simply managing funds for short-term shareholder profit is not an acceptable management strategy. By sending such a powerful message, Fink was using the tools at his disposal to effect change and create value for society."

over the outcome. Politicians might showcase those organisations as exemplar businesses – and use their model as the industry template rather than having to implement costly and prohibitive legislation."

Banks could also deliver more value for customers and society by helping to tackle issues such as late payment, for example.

"If you're a business and want a loan, banks could ask you, 'What's your policy on paying your suppliers?'" Stone suggests. "If you pay in 30 days, we'll give you the loan. It would be transformational if banks did that.

"Another idea is that cashflow is critical to keep businesses going – but can be hard to come by. If a small business wants to pay its suppliers on time and can prove it has a £10,000 invoice about to be paid, banks should commit to always extending credit in those situations. Other

"Banks that can produce these services at lower cost can pass some of these savings on to businesses and households."
Sean Campbell, Financial Services Forum

Reputational risk

The urgency is that businesses which fail to demonstrate this 'social conscience' risk damaging their reputation and losing out to competitors.

"There's a huge debate going on just now about shareholder value versus stakeholder value," Stone adds. "Consumers are motivated by this whole issue and want our organisations to be more responsible and to think about their impact."

The financial services industry could do more for customers and society by getting ahead of regulation, Stone believes. A current example is the Gambling Commission's incoming ban from April 2020 on credit cards being used to gamble.

"Credit card companies could have got ahead of that," she says. "It's obvious that allowing people to gamble with credit cards is not justifiable. Typically, the state steps in like this to try to solve big problems with the threat or implementation of legislation. If businesses took control and devised their own solutions – before it got to this stage – they would have more influence

industries producing physical products might reduce their impact by cutting raw material use, for example. But banks lend money and can do a huge amount with that."

Core values

Other options for financial services firms include offering more contracts to small and medium-sized businesses or social enterprises. Partnering with social enterprises or charities to deliver programmes related to issues such as debt management or financial education is another approach that is already being adopted by a number of firms. But more can always be done.

Are smaller challenger providers or FinTechs better placed to take the lead in this?

"I think because they're coming into being now, in 2020, these start-ups and smaller players are more aware of social value as an issue," Stone responds. "It's more integral to what they do; when they designed their businesses, social value was at the heart of their plans."

In September 2019, 130 banks from 49 countries, representing more than US$47tn in assets – a third of the

global industry – signed the Principles for Responsible Banking, a flagship United Nations initiative to promote sustainable banking and help the industry to demonstrate how it makes a positive contribution to society. The Chartered Banker Institute was one of the first UK organisations to endorse the Principles in February 2019.

The initiative's six principles include increasing the positive impact of the industry's activities, products and services, and working responsibly with clients and customers to encourage sustainable practices that create shared prosperity for current and future generations.

Sustainability goals

The Principles for Responsible Banking are led by Geneva-based UN Environment Programme Finance Initiative (UNEP FI), a global partnership bringing the UN together with more than 230 banks, insurers and asset managers.

UNEP FI Head Eric Usher said ahead of the launch of the Principles: "As society's expectations change, banks must be transparent and clear about how their products and services will create value for their customers, clients, investors, as well as society.

"We are working with all banks, regardless of their current negative or positive sustainability impacts, to truly transform the global banking industry into one that is both meeting society's sustainability needs and driving progress on society's sustainability goals – today and into the future."

By joining forces, big banks hope to use their combined scale through the Principles to deliver positive change – including reducing the impact of climate change. But governments globally remain concerned about systemic threat posed by banks that are too big to fail.

Since the 2008 financial crisis, policies to remove the threat of a failing bank bringing down the whole financial system – including limiting the size of banks and requiring them to hold more capital – have fuelled the debate about whether bigger is better.

In the UK, the Bank of England is preparing to put in place the final major piece of its 'resolution' regime for banks – in other words, avoiding a messy failure and taxpayer bailout. By October this year, major UK banks with £50bn or more in retail deposits, must submit reports to the Prudential Regulation Authority – which oversees the safety and soundness of UK financial services – about their preparedness for resolution.

In the US, the Dodd-Frank Act, President Barack Obama's response to the financial crisis, was subsequently watered down by President Donald Trump in 2018, including increasing the 'too big to fail' threshold from $50bn to $250bn of assets.

> **"I don't think it's about bigger being better, I think it's about being different."**
> Sarah Stone, Samtaler

Economies of scale

The Financial Services Forum is an economic policy and advocacy organisation representing the chief executives of the eight largest financial institutions in the United States.

Sean Campbell, Executive Vice President, Director of Policy Research at the Forum, argues that lowering the cost of banking services is one of the biggest benefits that large banks can deliver to customers.

"A business that can produce the same good at lower cost will be able to sell the good at lower prices, which allows consumers to purchase more of the good and to save more or spend more of their money on other goods and services," Campbell says.

"This is true as well in the context of producing banking services – such as business loans, car loans, and current accounts. While most people may not think of banking services as being 'produced' in the same way that they think of, say, cars being produced, banking services are indeed produced from a combination of several key inputs such as physical capital, human capital, technology, and borrowed funds. Banks that can produce these services at lower cost can pass some of these savings on to businesses and households while using less of the economy's valuable resources."

For example, a large bank that previously produced 1,000 loans at a cost of US$100 per loan, could scale this up to 1,100 loans at US$95 per loan, by leveraging its economies of scale.

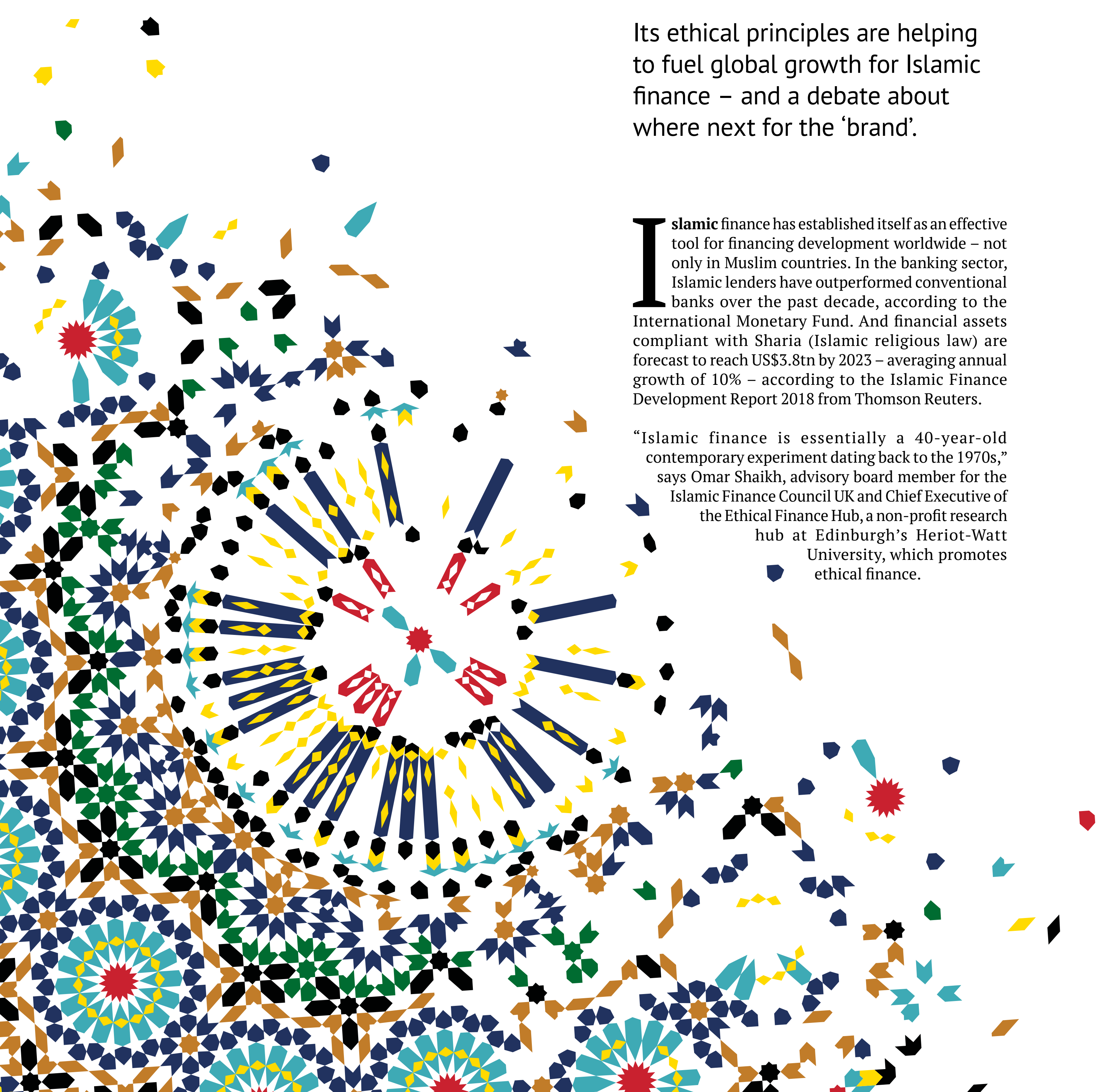
Huge advances over the past 30 years in the world's ability to process and analyse data, coupled with plummeting technology costs, have accelerated this process.

"As managing more data becomes less costly, holding other expenses constant, a bank can increase the scale of its lending activities significantly without incurring a large increase in costs," Campbell says. "Those considering proposals that seek to limit the size of banks should be aware of the costs that would be borne by households and businesses in the form of more costly banking services, given the evidence of increasing returns to scale." CB

ISLAMIC FINANCE

From niche to mainstream

Its ethical principles are helping to fuel global growth for Islamic finance – and a debate about where next for the 'brand'.



Islamic finance has established itself as an effective tool for financing development worldwide – not only in Muslim countries. In the banking sector, Islamic lenders have outperformed conventional banks over the past decade, according to the International Monetary Fund. And financial assets compliant with Sharia (Islamic religious law) are forecast to reach US$3.8tn by 2023 – averaging annual growth of 10% – according to the Islamic Finance Development Report 2018 from Thomson Reuters.

"Islamic finance is essentially a 40-year-old contemporary experiment dating back to the 1970s," says Omar Shaikh, advisory board member for the Islamic Finance Council UK and Chief Executive of the Ethical Finance Hub, a non-profit research hub at Edinburgh's Heriot-Watt University, which promotes ethical finance.

"It started very much from the Gulf and Malaysia, with the petrodollar liquidity in the Gulf helping to amplify the growth of the sector. But the real boom happened in the late 1990s and early 2000s, when it moved from maybe a few hundred billion dollars up to the trillions. It's now a US$2tn-plus sector.

"The UK became involved proactively under the late Sir Eddie George [Governor of the Bank of England from 1993 to 2003], Gordon Brown and David Cameron – and has become a leading Western hub. And now it's global, it's everywhere: Nigeria, Pakistan, Senegal. Germany's engaged in the sector. It's a huge market. And not just in markets where there's Muslim majorities or sizable Muslim minorities. But also in other completely secular environments as well."

Realigning the brand

As Islamic finance grows and looks to continue widening its appeal, there has been intensifying debate about the opportunities of 'rebranding' to align it more with ethical, alternative or sustainable finance. The disappearance of the word 'Islamic' from some bank names has been seen as an attempt to remove obstacles to the sector becoming mainstream.

For example, Dubai-based Noor Islamic Bank changed its name to Noor Bank in 2014 and Abu Dhabi Islamic Bank uses the acronym ADIB in its logo. Mergers and acquisitions have seen some banks lose the Islamic tag from their names. For example, Birmingham-based Islamic Bank of Britain now operates as Al Rayan Bank following its acquisition in 2014.

"In the 16 years I've been involved in the industry, people have always been talking about the brand," Shaikh says. "Should it be Abrahamic banking instead of Islamic banking? In some places, like Nigeria, it's called non-interest finance. In other places, like Turkey, it's called participatory banking. There were different names used for it to try to reflect the principles of Islamic banking.

"There are also risks with branding it Islamic, because you might unintentionally alienate people not from the Muslim faith. They may feel, this is not for us, this is just for Muslims. There are also challenges in the West with the word Islam, and with the rise of Islamophobia. We know that Islamic banking is open to everyone regardless of race or religion. So is there a rebranding? Or is it just about trying to create a successful commercial business model and attract customers across the board?"

New markets

Whether these changes are tactical or organic, Islamic finance is undoubtedly reaching new, non-Muslim audiences. In Malaysia, one of the world's most mature Islamic banking markets, nearly 30 to 40% of the users of Islamic banking are indigenous Chinese Malays who are not Muslims, Shaikh says. In the UK, an estimated two-thirds of customers are non-Muslim.

"Both of those situations indicate clearly that it is reaching wider audiences," Shaikh adds.

"'From niche to mainstream' is a tagline the industry has used. I think it's definitely become mainstream across a number of emerging markets in the Gulf, South Asia and Asia Pacific. Over the coming decade, I believe Islamic finance will move to the dominant position in those markets, so 50%-plus for sure. It has also become mainstream in select European jurisdictions in the sense that it's accepted, understood, regulated and there's activity going on in the UK, Luxembourg, Ireland and so on."

The growing focus globally on ethical finance that delivers social, environmental and economic benefits is undoubtedly fuelling the growth of Islamic finance.

The sector is best understood through two lenses, Shaikh suggests. One is the focus on ethical finance – not investing in or engaging with sectors deemed harmful to society. The second is the Abrahamic (as opposed to Islamic) ban on interest.

"You can't receive or charge interest," Shaikh explains. "So the world of Islamic finance has had to create equity-based structures, asset-backed leasing structures and trading structures, where a profit margin can be made from buying and selling commodities to re-engineer a loan-type scenario.

"Interest-based commercial debt is banned in Islamic finance and speculative financial instruments are massively restricted and regulated. So the world of derivatives barely exists in the sector."

"There are also risks with branding it Islamic, because you might unintentionally alienate people not from the Muslim faith."
Omar Shaikh, Islamic Finance Council UK

ISLAMIC FINANCE

Ethical values

Al Rayan Bank is the UK's oldest and largest Sharia-compliant retail bank. It was established in 2004 and has more than 90,000 customers.

Maisam Fazal, Chief Commercial Officer, Al Rayan Bank, says: "Our activities are in keeping with the ethical values of Islam. This means our customers' money is never invested in unethical activities such as gambling, tobacco, arms, pornography, or any commodity that isn't backed by a tangible asset.

"While these values cater for the beliefs of our Muslim customers, Islamic finance is becoming increasingly popular with mainstream audiences, too. We currently estimate that more than a third of our 90,000-plus customers are not of the Muslim faith, and this number is increasing as more and more people appreciate the concept of transparent, ethical banking."

On the question of how and why some banks in the sector are rebranding, Fazal responds: "Islamic finance providers are shaping their offering in line with consumer demand. The fact is, Islamic finance principles, which inherently stem from religious beliefs, closely align to the more ethically – and environmentally – conscious lifestyles that many aspire to lead today.

> **"In key markets like Malaysia, Bahrain and the UAE, a significant proportion of Islamic finance customers are non-Muslims."**
> Mustafa Adil, Refinitiv

"Research we recently conducted with YouGov shows that four in 10 adults believe that choosing ethical financial services is as important as recycling at home. The demand is clearly out there, and finance providers like Al Rayan Bank are adapting their message to ensure we're reaching these audiences, too."

Growing demand

By offering the UK's largest range of Islamic banking deposit and finance products, Al Rayan Bank has grown its asset book to more than £2bn, Fazal adds. He predicts further growth as consumers become increasingly interested in how their money is invested.

"The survey we carried out with YouGov revealed that nine out of 10 [91%] of British adults who have a main bank or building society account do not know if is currently investing in unethical sectors," Fazal says. "In light of changing lifestyles and people's ethical aspirations, there are still underserved audiences out there."

Demand is continuing to grow for Islamic banking products, not only on the retail side, but in wholesale, too. Al Rayan Bank's issuance of the largest-ever sterling-denominated Sukuk [the Islamic equivalent of bonds] of £250m in 2018 is clear evidence of this, Fazal adds.

"Many consumers are realising that Islamic finance products are not only ethical in their offering, but are also often highly competitive when compared with some conventional high street banks' products. Islamic finance has come a long way and will continue do to so.

"But according to our research, almost 40% of British adults haven't even heard of the terms 'ethical banking' or 'ethical financial services' at all, meaning there's work to be done – not just in the Islamic finance space but across the board. As ethical and sustainability issues continue to rise up the agenda, so will consumer awareness around ethical investing, meaning that Islamic banking will continue to grow in reach and relevance to an increasing number of consumers."

Committed and proud

London-based Gatehouse Bank was founded in 2007 and specialises in Shariah-compliant finance for homebuyers, property investors and commercial real estate.

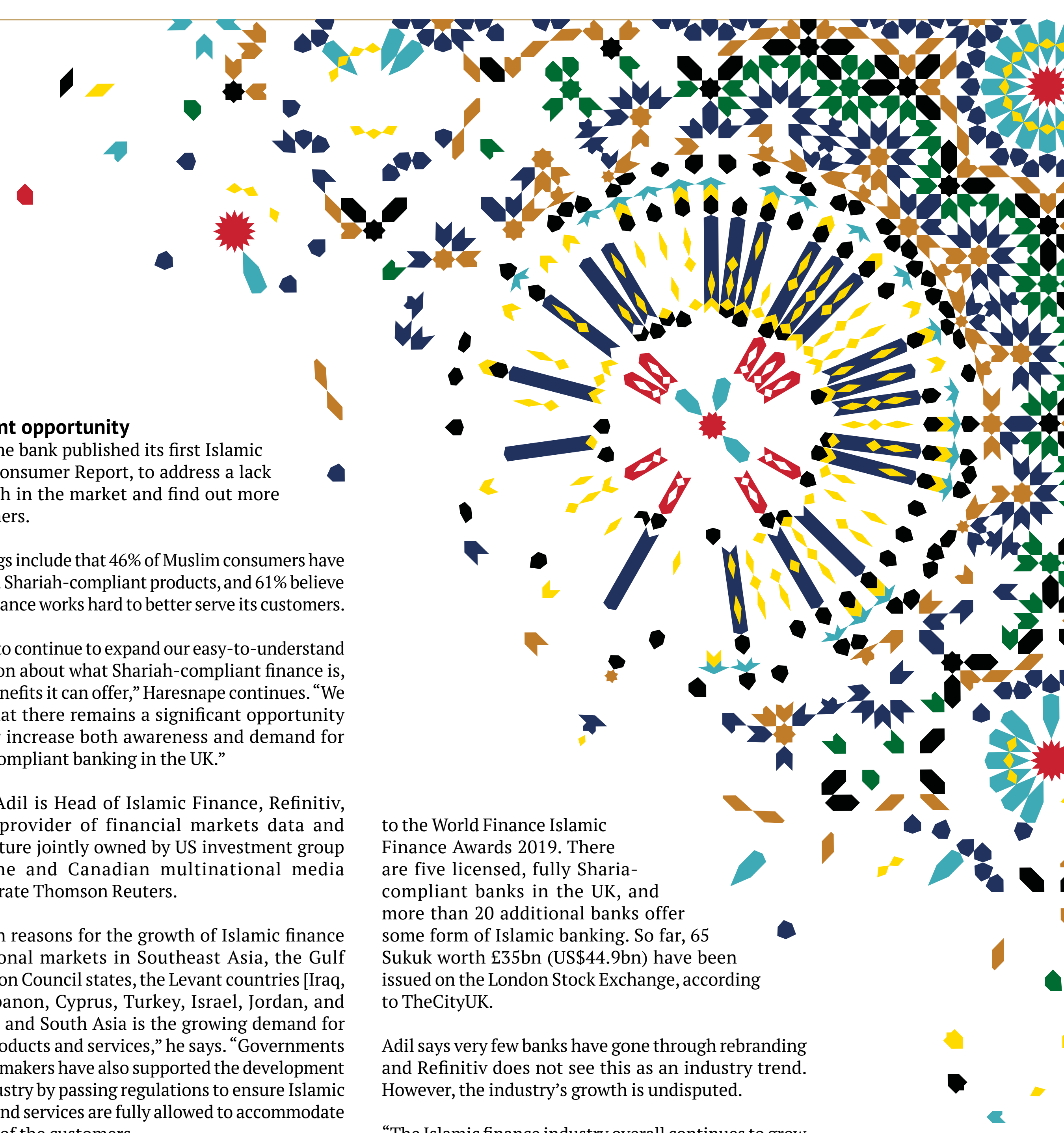
The bank has launched a series of new products, and opened a new customer service centre in Milton Keynes, since Chief Executive Charles Haresnape joined Gatehouse from business bank Aldermore in 2017.

"We expect the sector's growth will continue to increase consumer and business interest in Shariah-compliant finance," Haresnape says. "Providers will need to continue to bring out an expanding range of innovative home finance, commercial and savings products. However, the sector's ability to offer compelling rates means it is already able to compete very well with non-Shariah products."

On Islamic banking as a brand, Haresnape says Gatehouse is committed and proud to be a Shariah-compliant provider.

"While we can't comment on other banks, at Gatehouse we refer to ourselves as a Shariah-compliant bank," he continues. "But when speaking about the core principles, we also highlight why we are a responsible and ethical bank to a broader audience of all religions and none."

A key part of the bank's strategy is to offer products to underserved markets. Consumers who value ethical business practices can rely on the fact that all the bank's business is conducted in accordance with a strict set of ethical principles, Haresnape says.



Significant opportunity

In 2019, the bank published its first Islamic Finance Consumer Report, to address a lack of research in the market and find out more its customers.

Key findings include that 46% of Muslim consumers have never used Shariah-compliant products, and 61% believe Islamic finance works hard to better serve its customers.

"We need to continue to expand our easy-to-understand information about what Shariah-compliant finance is, and the benefits it can offer," Haresnape continues. "We believe that there remains a significant opportunity to further increase both awareness and demand for Shariah-compliant banking in the UK."

Mustafa Adil is Head of Islamic Finance, Refinitiv, a global provider of financial markets data and infrastructure jointly owned by US investment group Blackstone and Canadian multinational media conglomerate Thomson Reuters.

"The main reasons for the growth of Islamic finance in traditional markets in Southeast Asia, the Gulf Cooperation Council states, the Levant countries [Iraq, Syria, Lebanon, Cyprus, Turkey, Israel, Jordan, and Palestine] and South Asia is the growing demand for Islamic products and services," he says. "Governments and policymakers have also supported the development of the industry by passing regulations to ensure Islamic products and services are fully allowed to accommodate the needs of the customers.

"Outside traditional markets, we have seen a number of markets such as the UK, Nigeria, Hong Kong and South Africa entering Islamic finance to capitalise on the demand, especially by issuing Sukuk, knowing that this is a highly demanded instrument across different markets."

Sukuk securities are structured to comply with Sharia by paying profit, not interest – generally by involving a tangible asset in the investment. For example, a property from which Sukuk holders can collect profit in the form of rent, which is allowed under Islamic law. Since Malaysia issued the first Sukuk in 1990, issuance has grown more than 20-fold to around US$130bn.

Key player

The UK became the first Western nation to issue a sovereign Sukuk in 2014, and now it is the biggest centre for Sharia-compliant finance in the West, according to the World Finance Islamic Finance Awards 2019. There are five licensed, fully Sharia-compliant banks in the UK, and more than 20 additional banks offer some form of Islamic banking. So far, 65 Sukuk worth £35bn (US$44.9bn) have been issued on the London Stock Exchange, according to TheCityUK.

Adil says very few banks have gone through rebranding and Refinitiv does not see this as an industry trend. However, the industry's growth is undisputed.

"The Islamic finance industry overall continues to grow and has become a key player in the financial system across the world, offering a unique value proposition that speaks to both Muslim and non-Muslim customers," Adil continues. "By the end of 2018, there were over 1,400 Islamic financial institutions in 87 countries. The Islamic finance industry is worth US$2.5tn in terms of assets. And in key markets like Malaysia, Bahrain and the UAE, a significant proportion of Islamic finance customers are non-Muslims.

"In other markets, we see opportunities for growth in non-Organisation of Islamic Cooperation countries such as the UK, Hong Kong, Nigeria and Senegal, where they have all issued Sukuk in the past years. Some countries, such as the UK, are considering issuing their second Sukuk this year. Last year, we saw new markets entering Islamic finance, such as the Philippines, Thailand, Ethiopia and Suriname, which will surely increase Islamic finance footprint globally." CB

COUNTRY SPOTLIGHT

Canada treads carefully on Open Banking

In the global race to roll out Open Banking, Canada has been a slow starter. Is it sluggishness or sensible caution?

Canada has a stable financial sector that has earned the confidence of its people. Its strong financial regulatory framework has shielded the country, to a certain extent, from many of the shocks and repercussions of the 2008 global financial crisis.

Canadians are careful borrowers, and mortgage arrears in Canada remain very low. Only 0.23% of bank mortgages were in arrears as of August 2019, according to the Canadian Bankers Association (CBA). This compares with 0.92% in the UK for Q3 2019.

This reputation for caution may explain why Canada has seemed slow to adopt Open Banking, which has been embraced by other markets including Europe, the US, Asia and Australia.

"We are behind other jurisdictions such as Great Britain and Australia and there are indications that other countries will soon follow suit," says Richard Remillard, a Director of the National Crowdfunding & FinTech Association of Canada.

"These days, observers point to countries as diverse as Kenya and Singapore when looking to FinTech leadership," he adds. "And, then there's China and the US, each with a host of flagship firms and FinTech, often bundled together in novel ways."

Early adoption

Several factors are conspiring to slow early adoption of Open Banking in Canada, Remillard suggests.

"First, public opinion research commissioned by the federal government seems to indicate a lack of enthusiasm on the part of retail banking customers. There have been several high-profile cases recently wherein retail customers' personal data has been accessed by hackers and this has contributed to this unease around the sharing of banking information.

"Second, the major banks appear to have adopted a 'make haste...slowly' approach to Open Banking, which is reflective of a conservative, risk mitigation business culture and, likely, internal disagreements over whether or not individual financial institutions would benefit or lose.

"Third, no single champion of Open Banking has emerged to drive the debate and put it on the government agenda. Simply put, proponents have not been able to crisply define what problem Open Banking is designed to solve."

Could Canada's apparent hesitation be a warning to other nations to pause and consider the full impact of Open Banking?

Remillard believes that, unlike other innovations, there is probably no 'first mover' advantage to the country that adopts Open Banking before others. This is likely due to the timing mismatch between when benefits and costs are likely to emerge.

"Benefits will be slow, incremental and measured in years, if not decades," Remillard says. "In contrast, costs – security, system stability – are likely to manifest themselves in short order. Other countries will need to do their own cost/benefit calculations, in part determined by the state of competition in their own domestic markets. From a global perspective, the best outcome might be for there to be a lot of spaghetti thrown at the wall – and then see what sticks. In other words, countries might collectively benefit from different approaches to Open Banking being taken, and then assessing what works best."

Fast followers

At the margins, Remillard believes failure to move on Open Banking will negatively impact the growth and development of the FinTech sector in Canada. But there may be other ways of stimulating competition among financial institutions, quite apart from Open Banking, and that could deliver the same benefits to consumers and small and medium-sized enterprises (SMEs).

"These could include opening up the banking system to more foreign competition, easing the rules for new bank formation, and removing the disincentives that are barriers to retail and SME customers switching banks."

Canadian banks have long been 'fast followers' – rather than first movers – with respect to financial sector innovation. It is quite possible that the same approach is now playing out regarding Open Banking, Remillard says.

"We are behind other jurisdictions such as Great Britain and Australia."

Richard Remillard,
National Crowdfunding & FinTech Association of Canada

"Also in play are two new factors. Canada has emerged as a leading hub for artificial intelligence and the main financial institutions are closely involved in the development of this tool, which should provide them with a competitive advantage going forward. On the other hand, all eyes are on the American and Chinese Big Techs, such as Google, Amazon, Apple, Facebook, Alibaba, Tencent, and the looming threats they pose to established financial institutions, not only in Canada but globally."

Widely trusted

In May 2019, Accenture published a report on the Canadian market entitled Open Banking in Canada: Opportunity Knocks.

Authored by Andrew McFarlane, Managing Director, Canadian Payments Practice Lead and Global Open Banking Lead, and Robert Vokes, Senior Managing Director, Financial Services for Accenture in Canada, the report found that three-quarters of Canadians were not interested in Open Banking at this early stage.

Nine out of 10 were also concerned about the privacy of their financial data, and most do not trust large tech companies with that information.

COUNTRY SPOTLIGHT

At the same time, most Canadians do trust their banks. A significant 70% of Canadians in Accenture's survey said they would trust only their banks with their financial data, even if a third party could provide added benefits.

"Canada's banks are widely trusted, in part thanks to their prudent approach to risk that saw them weather the 2008-09 global financial crisis," writes McFarlane in the report. "They should use this trust element to leverage Open Banking's opportunities."

He adds: "We know the Canadian banks are very interested in Open Banking and they are taking pre-emptive steps in advance of the regulatory framework to ensure that it would be adopted in an effective and secure way – that benefits clients and upholds the long history of client trust they've built."

Data concerns

Although nine out of 10 Canadians say concerns over the privacy of their financial data make them wary of Open Banking, 71% say better security measures would help to address those issues.

Accenture's survey also shows younger Canadians are more interested in Open Banking, with one in three respondents indicating they would allow third-party providers to access their financial data if it meant they received a better deal or other benefits. A similar proportion are prepared to let non-financial firms manage or access that information.

"To succeed, banks must work with FinTech providers and others to develop Open Banking ecosystems that will see them become central hubs in their customers' lives," Accenture's report suggests. "If banks don't, others will – and banks will run the risk of losing that critical customer stickiness and loyalty."

At its heart, Accenture says, Open Banking is about data. It is a process in which customers authorise their banks to share their financial data with registered third-party providers, and also – for multi-banked customers – among banks. Ecosystems can be built on this data through application programming interfaces (APIs) – the software that connects banks with third-party providers – and bring together financial and non-financial services on new platforms.

The right approach

The challenge for Canada in terms of implementing Open Banking is finding a balance between a top-down regulatory approach, a light-regulation route, and a collaborative model, Accenture believes. Lessons can be learned from other countries.

The UK introduced Competition and Market Authority (CMA) regulations to encourage higher levels of account switching and regulated the design of APIs to ensure standardisation.

"On the one hand, this made it easier for third-party providers to connect to banks; on the other, it stifled innovative approaches," Accenture says.

"This can be contrasted with the market-driven approach in Singapore, where the banking sector drove the changes, bringing new products, services and marketplaces to Singaporean customers. The industry has worked closely with the regulator to ensure the market's needs are met."

Accenture believes Canada would benefit from a New Zealand-style collaborative approach to implementing Open Banking.

"New Zealand's approach was more collaborative: it set up a proof-of-concept pilot that involved banks, the regulator, FinTech firms and software providers such as those involved in payroll and accounting," Accenture explains in its report. "The result was agreed standards for APIs that allow interconnectedness, and innovation, and a proof-of-concept that could iron out any issues prior to going live on a broader scale."

> **"Canada's banks are widely trusted, in part thanks to their prudent approach to risk that saw them weather the 2008-09 global financial crisis."**
> Andrew McFarlane, Accenture

Public consultation

In January 2019, the Canadian government launched an Open Banking consultation to measure the public's appetite for sharing financial data with third-party providers.

A spokesperson for the Department of Finance Canada explains: "To assess the merits of Open Banking, the government appointed an Advisory Committee on Open Banking to undertake a thorough examination of how Canada's financial sector might offer innovative products and services, while keeping the highest regard for privacy, security and financial stability.

"To support the Committee's work, a public consultation paper was released in January 2019, and roundtable consultations were held to learn more about how Canadians feel about Open Banking. During the consultation period, the government received over 100 stakeholder submissions."

The consultation seeks to learn more about Canadians' views on Open Banking, specifically: would Open Banking provide meaningful benefits to and improve outcomes for Canadians? If so, in what ways? For Canadians to feel confident in an Open Banking system, how should risks related to consumer protection, privacy, cyber security and financial stability be managed? And: if you are of

"There are specific characteristics of Open Banking which increase the risk of financial crime."

Canadian Bankers Association

the view that Canada should move forward with implementing an Open Banking system, what role and steps are appropriate for the federal government to take in the implementation of Open Banking?

Consumer confidence

The Advisory Committee on Open Banking completed the first phase of the review in 2019 and, at the time of writing, the Department of Finance Canada was considering its findings.

"Canadians deserve a financial sector that is globally competitive and promotes consumer choice, while also delivering financial stability and economic growth," the Department of Finance Canada spokesperson says.

"They must also have confidence that it operates with the highest regard for privacy and security. Protecting the privacy and security of Canadians' financial data is an objective that is shared by both the government and the private sector and one that is crucial for maintaining continued trust in Canada's financial system."

The CBA represents more than 60 domestic and foreign banks, including Canada's big five banks, smaller domestic banks, and Canadian subsidiaries of foreign banks.

In its submission to the government's Open Banking consultation, it agrees that Open Banking offers benefits to consumers, including small businesses, financial institutions such as banks, and other third-party financial service providers. But that key risks must be addressed in four key areas: consumer protection, privacy and confidentiality, financial crime, and financial stability.

For example, customer information should be shared only with informed customer consent obtained in a transparent manner that enables the customer to understand how their financial transaction data will be used and secured. As a priority, financial institutions must invest substantially in technology, infrastructure, and training to protect the personal and confidential information entrusted to them by their customers.

Addressing the risks

On financial crime, the CBA says: "There are specific characteristics of Open Banking which increase the risk of financial crime, including data proliferation, increased connectivity and the use of log-in credentials by third-party providers to access data on behalf of customers. It is crucial to understand these risks, and how they can be managed by Open Banking participants."

Consideration must also be given to risks to the safety, soundness, and stability of the overall financial system in Canada, with third-party provider access to financial data in an Open Banking system.

"Canadians trust our financial system due to its stability, as evidenced by the banking industry's performance during the 2008-2009 financial crisis," the CBA says in its submission. "As the federal government explores the merits of Open Banking, it is important to ensure that Canadian's trust in their financial system is not put at risk."

A spokesperson for the CBA adds: "The Canadian Bankers Association strongly supports innovation and competition in Canada's financial services sector, and we support the federal government's ongoing efforts to explore the benefits and risks of Open Banking within the Canadian context.

"Policymakers in Canada are taking the appropriate time to make the necessary and important analysis of key areas of potential risk before introducing an Open Banking regime. Canada is moving forward prudently to assess the full scope of Open Banking to ensure it meets the goals it is intended to achieve.

"We will continue to work with the federal government in its ongoing, multiphase process and we believe in continuous dialogue between the banking sector and key stakeholders to arrive at an outcome that optimises the possibilities of Open Banking by recognising Canada's unique characteristics, while also protecting the interests of customers in a digital environment." CB

CANADA – KEY BANKING FACTS

- Number of banks in Canada: **88**
- People employed by banks in 2017: **275,825**
- Contribution to Canada's GDP by banks: **approximately 3.3%**
- Percentage of women senior managers with the six largest banks (2017): **37.6%**
- Number of financing relationships with SMEs across Canada: **1 million+**
- Bank mortgage arrears (at August 2019): **0.23%** (compared with 0.92% in the UK for Q3 2019)
- Spend by Canada's six largest banks on technology in the last decade: **CAD$84.5bn**
- Percentage of Canadians who do most of their banking digitally, using online and mobile banking: **76%.**

Source: Canadian Bankers Association

YOUNG BANKER OF THE YEAR

There's no monopoly on ideas

It's the sparks of individual brilliance that makes judging Young Banker of the Year so exciting – and tough.

Young bankers across the UK have been submitting their proposals on the topic of responsible and sustainable banking following the launch of the 2020 Young Banker of the Year competition.

As the first interviews for this year's event begin, *Chartered Banker* hears from recent members of the judging panel to gain their perspective of the competition, its benefits – and tips for current and future applicants.

"Young Banker of the Year is such an important event in so many ways," says Marlene Shiels, Chief Executive, Capital Credit Union in Edinburgh and a former Young Banker of the Year judge.

"It gives young professionals the opportunity to showcase their vision and skills, to think about how to better serve all types of customers, and it provides an opportunity to think about what the possibilities are for the future of banking and financial services."

The competition aims to offer a platform to tomorrow's leaders in UK banking and was launched in 1987 by the Chartered Banker Institute.

The Institute seeks nominations from its membership of over 30,000 – and more widely from across the UK banking industry, including building societies and credit unions, subject to the eligibility criteria.

Proposals are submitted by email and are all reviewed by judges from the Institute. The best candidates

> **"Inter-generational discussion and debate can be difficult, but only by challenge can ideas and practices be refined and progressed."**
>
> Alderman Alison Gowman, City of London Corporation

are then invited to discuss their idea via Skype, from which eight entrants are selected to present their idea at one of two live semi-finals – in either Edinburgh or Birmingham.

"The young talent in banking today are the future leaders and Young Banker of the Year provides an opportunity to share their thoughts and ideas," Shiels continues. "The audience and judges always come away from the event energised and, undoubtedly, we have all learned something new."

Future of banking

"The financial services industry is changing faster than at any other time and disruption is the new norm," Shiels says. "Hearing from young bankers, with fewer preconceived ideas about 'how it's always been done', brings a new sense of the future to banking.

"Seeing young people grow in confidence, go on to take a new role in their bank, or another organisation, is heart-warming. Several finalists have gone on to set up their own businesses."

With so much talent competing for a top spot, the competition heats can be highly charged and Shiels most enjoys the opportunity to provide important support to young bankers.

"The energy in the room is intense at both the semi-finals," she says. "As a judge, your role is to help them through the process to bring out their best, and this is hugely enjoyable. We have had people compete at a time of significant family worries, and to be able to honour the commitment and go on stage to deliver their presentation says a lot about their character."

The challenge set for entrants is designed to test their capacity to generate new ideas, drive purposeful innovation and deliver positive outcomes for customers and communities.

Entrants to the 2020 competition have submitted proposals in response to the question:

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

The United Nations' six Principles for Responsible Banking provide the framework for a sustainable banking system and help the industry to demonstrate how it makes a positive contribution to society.

Assessing entries

"When assessing entries, I am looking for people who are visionary, ethical, have a good grasp of social purpose and who have gone the extra mile to bring it to life in their presentation," Shiels explains. "You can always tell the finalists who really believe in their vision or solution."

"The most effective [entries] usually attack a problem or challenge they, or people known to them, have faced."

Bill McCall, Chartered Banker Institute

Shiels says she would encourage staff at all levels working in banking and financial services to think about putting forward individuals and their ideas.

"As an applicant you can't lose, whether by meeting new people through the process, putting your ideas out there, or ultimately seeing your concept getting to market."

Bill McCall, President, Chartered Banker Institute, has in previous years been one of 12 judges alongside the initial Young Banker of the Year screening group.

"Entrants can often galvanise the effort of their organisations, but we really are looking for that spark of individual brilliance," he says. "Think of the brief in the widest sense, maybe even tangentially. Really good ideas are often dismissed at the first pass, otherwise everyone would be doing them."

It has always been an important opportunity for the up-and-coming cohort of professional bankers to articulate their ideas and seek support, he adds.

Lasting benefits

The benefits for participants include the opportunity to develop new and groundbreaking ideas in the banking industry and obtain valuable feedback from experts. Candidates also raise their profile within their organisations and in the wider industry, hone their presentation abilities and develop networking skills.

"There is an immediate splash, a prize and level of interest of course, but the longer-term course of a career or life impact is not known at the time," McCall says. "My immediate predecessor as President of the Institute was a winner some decades ago and that stuck with him and spurred him on. Indeed, we have former entrants and finalists around our board table and Membership Forum."

McCall says the sheer breadth of ideas always provides the 'ah-ha' moment for him, along with really well thought-through and thoroughly researched presentations.

YOUNG BANKER OF THE YEAR

"The entrants usually capture the essence of the time and the most effective usually attack a problem or challenge they, or people known to them, have faced," he says.

"Personal ownership of the idea and a deep understanding of the subject matter are what makes a candidate or presentation stand out. It's a bit like writers being encouraged to write about what they know. There is an audience prize, which is voted for on the night of the final, paying particular attention to the quality of the presentation. The judges have a wider matrix to score for the Young Banker of the Year accolade, though. The slickest of corporate style presentations may not win that overall prize."

Ideas with impact

Top of McCall's tips for current or future competitors is simply to keep focusing on and improving your idea.

"Research the market behind your solution, because the best winners will see their ideas run by their organisations, and there has to be a positive commercial or social impact for those to have longevity," he adds. "Entrants shouldn't be daunted by the process and I know many will also take the opportunity to be peer-reviewed in their own bank.

"One of the finalists from a few years ago, who didn't win, saw their idea rolled out and a version of it is now in use across the industry. This involves offering a 'rounding up' option in a point-of-sale transaction – something that is quite common now – where the pennies to the next whole pound are set aside in a savings account or donated to a good cause. You buy a coffee and the card or app does the necessary. Simple, clever – and making an impact.

"There was a similar idea around a pay increase, where the artificial intelligence would identify a pay rise in an account and set aside a portion to savings."

Alison Gowman is one of 25 Aldermen at the City of London Corporation, part of the historic Court of Aldermen, from which future Sheriffs and Lord Mayors of the City of London are selected.

Gowman was one of the judges of Young Banker of the Year in 2019 and says of the competition: "There is no better time than now to listen to the younger generation and build on their ideas and enthusiasm. Intergenerational discussion and debate can be difficult, but only by challenge can ideas and practices be refined and progressed. There is no monopoly on ideas. Young people see things differently and can react divergently and provide a fresh perspective."

"You can always tell the finalists who really believe in their vision or solution."

Marlene Shiels,
Capital Credit Union

"It's got to be an idea that's big enough to make meaningful changes, but small enough to be achievable."

Simon Thompson,
Chartered Banker Institute

Opportunity to shine

The competition is a great way to provide a focus for young bankers to consider and then work up and refine an idea, Gowman adds.

"Being given the space and the chance to work on a new project is inspiring. It builds confidence in someone to have the opportunity to be listened to and to work with seniors and mentors in creating a project about the future. In 2019, the challenge around creating a product that addressed issues of greening financial transactions or helping sustainability were so relevant to the current zeitgeist. We hear so much about the challenge of the transition needed to a zero-carbon future that the financial system needs to meet that need."

Gowman cites the example of Sarah Walker, a Santander Branch Director, who won the 2019 Young Banker of the Year title. Walker told a story that stood out because she was passionate about her idea and the impact it could have on many customers and others in general.

"While banking can seem an impersonal business, it's about the effect on people's lives – whether that's improving internal staff procedures or the experience of customers," Gowman adds. "A slick presentation at the final might have an immediate effect, but the judges need to dig down beyond that and see the long-term benefit to the banking system and its customers.

"The finalists were inspiring and enabled the judges to have a great debate around the need for banks to be able to help a more diverse and wider sector of society – it was great to have this in our grasp with the new ideas on offer."

HOW TO STAND OUT

Focus on the idea
"Often judges are persuaded more by the quality of the idea and the research... You actually don't need to be the most confident in standing up on the stage, you need to be the person with the best idea."
Simon Thompson, CEO, Chartered Banker Institute

Do your homework
"Research the market behind your solution, because the best winners will see their ideas run by their organisations, and there has to be a positive commercial or social impact for those to have longevity."
Bill McCall, President, Chartered Banker Institute

Ask for feedback
"It's always good to work in a team and the mentor can give the contestant some perspective as well as good, practical advice."
Alderman Alison Gowman, City of London Corporation

Go the extra mile
"You can always tell the finalists who really believe in their vision or solution and who have gone the extra mile to bring it to life."
Marlene Shiels, Capital Credit Union

Gowman's top tip for competitors is to use the mentors at their bank to help them hone their thoughts and plans.

"It's always good to work in a team and the mentor can give the contestant some perspective as well as good, practical advice," Gowman says.

Making a difference

Simon Thompson, Chief Executive, Chartered Banker Institute, has been involved with Young Banker of the Year for more than 10 years and has seen many entrants surprise themselves.

"Quite often, some of our winners are people who never would have thought they could be the Young Banker of the Year," Thompson reflects. "They've thought, 'That's for somebody else, that's not for me – I'm not the classic confident person who loves speaking in public and presenting.' But yet, they've become the Young Banker of the Year and that's given them the confidence and the belief in their ability to develop their ideas and careers."

Entries are judged with a strong focus on the quality of the idea and the customer research behind it.

"Customer focus is really important – that it's an idea rooted in customers and communities and what they want," Thompson explains. "So, a sense of social purpose is really key. Judges are also looking for an idea that can be implemented. We've had some absolutely fantastic ideas over the years, but those often involve reinventing the whole of banking and finance. Though we definitely don't want to discourage people from being ambitious, the criteria for the competition is an idea that could be implemented in your organisation."

For example, 2018 Young Banker of the Year winner Alistair Gilfillan proposed a savings account built on existing technology, but expanded into a different area. In 2017, Young Banker of the Year winner Joanna Finlay pitched a different way of providing banking for homeless people and providing Know Your Customer checks.

"It's got to be an idea that's big enough to make meaningful changes, but small enough to be achievable over a reasonable timescale with resources that are likely to be available to you," Thompson adds.

His key top tip is to enter. "Have a look at some of the previous winners on our website to get a sense of what's been done," he adds. "Focus on the idea first and worry about the presentation later."

What he most enjoys about Young Banker of the Year is the opportunity for the Chartered Banker Institute to showcase what it does best.

"Which is supporting future generations of really bright young people who want to make the banking profession, and the world, a better place," he concludes. CB

For more information about Young Banker of the Year, visit: charteredbanker.com/youngbanker. Or to watch the Institute's Chief Executive, Simon Thompson, discussing the launch of the UN Principles for Responsible Banking, see: https://bit.ly/2SgQeMb

CERTIFICATE IN BANK STRATEGY, OPERATIONS AND TECHNOLOGY

ENROL NOW TO TAKE THIS EXCITING CERTIFICATE

DEVELOPED FOR A DIGITAL AGE

AIM

To develop your knowledge, understanding and skills relating to bank strategy, develop your ability to analyse the external and internal bank environment, evaluate strategic options, develop strategy, and manage its implementation through effective leadership and management of operations. A key theme of the Certificate is the impact of digital innovations on bank strategy and operations, and how banks can harness advances in technology to help them grow and flourish in an uncertain future.

Can be completed within as little as 12 months

Upon completion you will be awarded a certificate and become a Certificated member of the Institute

Blended learning approach with core reading, online resources, and an interactive, online Study Guide

If you wish to study further, credits attained can be used towards the Advanced Diploma in Banking and Leadership in a Digital Age

For further information please visit:

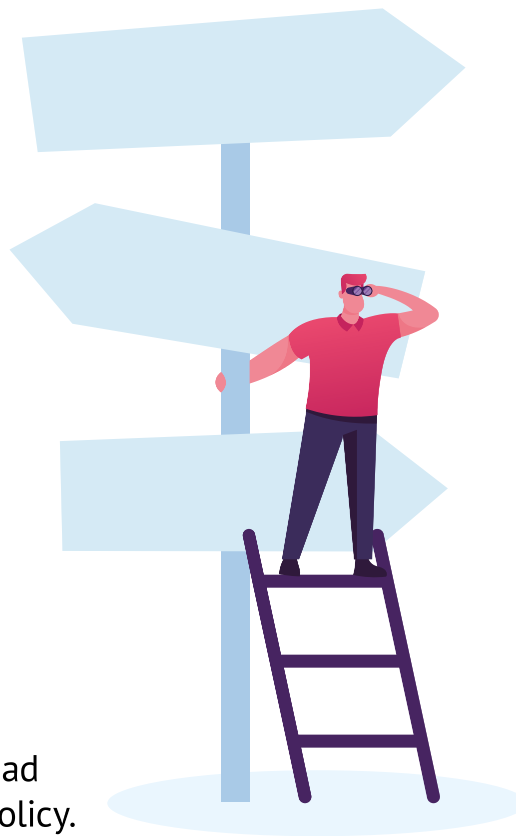
www.charteredbanker.com

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

Chartered Banker

UNCONVENTIONAL MONETARY POLICY

Where next for monetary policy?



Central banks are increasingly choosing the road less travelled in their approach to monetary policy.

Over the past 10 years, central banks have increasingly turned to unconventional means to steer the economies of individual countries in the right direction. From quantitative easing (QE) and forward guidance to negative interest rates, central banks are now prepared to intervene in new ways. Is this unconventional monetary policy becoming the new normal, and, if so, what are the implications of this? For example, is a there a danger of untested policies fixing existing problems – while creating new ones?

"I would argue that unconventional monetary policy [UMP] already is the new normal," says James Athey, Senior Investment Manager at global asset manager Aberdeen Standard Investments. "My biggest concern is not only that it's ineffective but it's self-defeating.

"For example, basic economic theory says that if you raise interest rates, people will borrow less and save more – and this will slow economic activity. If you lower interest rates, the theory is that people will borrow, spend and invest more, and save less, and this will increase economic activity.

"But what we've really observed is a psychological phenomenon where saving actually increases when you lower interest rates. If you're lowering interest rates because the world is a very scary place, people are worried they may lose their jobs. That's a more important driver of their behaviour – their confidence about the world – than where interest rates are. Not only that, if you're closer to retirement, you may well have either explicitly or implicitly set a savings goal, a retirement target that you want to retire by a certain period of time – and you need a certain amount of savings to do so. If interest rates fall, you may save more to try to stick to your original retirement goal. So that's one of the mechanisms where theory and reality seem to disagree with one another."

Risky assets

Another potential risk of UMP is known as financialisation, where governments effectively become players in financial markets in ways that might trigger changes – intentional or otherwise – in market behaviour. For example, one of the biggest impacts of unconventional interventions such as QE has been to encourage investment in risky assets like equities and corporate bonds.

"It encourages risk taking, but it doesn't necessarily encourage responsible risk taking," Athey says. "Corporates seem to have responded to this new world by investing less and less in their business and in the real economy, and more and more in financial markets.

> **"Unconventional monetary policy already is the new normal."**
> James Athey,
> Aberdeen Standard Investments

UNCONVENTIONAL MONETARY POLICY

One of the trends we've observed in the past two years is companies buying back their own shares. And in doing so, they're not investing in plants or paying higher wages. They're piling the money back into equity prices, which then increase and make it look as if the company is more profitable. But, underneath that all, they're possibly sacrificing future growth. And that appears now to be setting us up for further economic weakness."

Industry concentration is another unintended consequence of the 'cheap' money created when central banks pump liquidity into a market.

"At the most extreme end of concentration, you have a monopoly – one company which covers an entire sector," Athey explains. "If there are two companies, that's a duopoly. If it's a small number of large companies, that's what's called an oligopoly.

"These are generally viewed as undesirable extremes because there is too much control and too much pricing power within a small group of companies. And that tends not to be efficient. It tends to reduce the benefit to consumers because sellers can spike the price of goods. And what we've seen, actually, is an increasing concentration of industry because the price of money has been kept artificially low.

"That means large companies are able to easily access and borrow money to buy small competitors. We see this most extremely in the tech sector, but it has happened in lots of other sectors, too. Again, the incentive for these companies to pay higher wages or to invest in their business is reduced, because there isn't sufficient competition to drive them to do so.

"If I was to summarise all of that in one phrase, I'd say we are breaking capitalism – and leading the way to inefficient resource allocation."

"In most countries, monetary policy is still working 'pedal to the metal', but can do no more."

Stephen Grenville,
The Lowy Institute

Unintended consequences

Dr Simone Giansante, Assistant Professor of Finance at the University of Bath School of Management, is an expert in financial systems. He recently led research papers on whether QE in the UK boosted bank lending to the real economy or led instead to banks reallocating their assets.

"We know from the aggregated stats that lending to the real economy in the UK actually declined during QE instead of improving, and that's the problem that we look at in our papers," Dr Giansante explains. "Basically, we've just tried to understand why banks didn't increase their lending to the real economy after the QE money injection. From the supply side, the banks might have decided that lending to the real economy was not the best choice.

"Or on the demand side, it could be that corporates found an alternative way to fund their activity, instead of borrowing from the banks. Because when interest rates go down, it's cheaper for corporates to borrow in the capital markets.

"But actually, what we are claiming in our paper is that banks were using this money to do something else that the central bank wouldn't have intended."

Instead of increasing their lending to the real economy with this injection of liquidity, banks invested in assets that shored up their own capital strength, Dr Giansante and his team argue.

After the 2008 financial crisis, banks were forced to increase their capital to absorb any potential losses in the future. Minimum capital requirements under the Basel III international accord were designed to promote financial stability and efficiency in economic systems around the world.

Dr Giansante continues: "The thinking is that, with every asset they purchase, banks also have to raise a percentage of capital, also known as risk-weighted based capital requirement. Equities and corporate bonds would have offered good returns and been a

better substitute for the assets sold back to the QE programme. But these are assigned with high risk-weighting, so would require the banks to hold higher capital. Instead, what we found is that banks preferred to invest in government debt – sovereign bonds and government securities in general. A lot of these had been Triple A-rated before the sovereign debt crisis but were downgraded a few years later. It meant the banks could invest as much as they wanted in these bonds without raising any capital, providing them with a good risk-weighted return."

Bursting the bubble

Portugal, Ireland, Italy, Spain and Greece were among the European countries to benefit as the wall of money flowed overseas in search of good returns from highly rated government debt that was regarded as low risk.

Dr Giansante says: "In the finance literature, they refer to this as regulatory arbitrage, because, although it's not arbitrage per se (benefiting from the price difference between two or more markets), banks were trying to take advantage of this risk-weighting approach to capital requirements.

"Banks were pumping and building this big bubble that then burst. Greece was downgraded, Portuguese bonds were downgraded, Italian bonds were downgraded and so on.

"If we look back at all of the original intentions and objectives of QE, you can really see that the lack of credit going to the real economy was a failure, and that promoting the sovereign debt bubble was an unwanted consequence. Because of lower yields due to QE and capital requirements, banks preferred not to lend to the real economy, but to invest in these other products instead."

Stephen Grenville, a former deputy governor of the Reserve Bank of Australia, is a non-resident Fellow at the Lowy Institute, an independent policy think tank in Sydney, Australia.

He argues that one problem in evaluating QE is that it is hard to distinguish its impact from that of forward guidance, which was often provided at the same time, either implicitly or explicitly.

"Forward guidance provided financial markets with additional information about the future intent of monetary policy," he explains. "When central banks succeeded in changing the market's perception of the future path of interest rates, this influenced asset prices and exchange rates, so was effective. However, markets sometimes misinterpreted the message, and began to focus more on analysing policy pronouncements and less on the prospects for the economy."

Disappointing results

Negative interest rates drew headlines and spirited academic discussion, but were the least important of the UMP measures, Grenville adds.

"For practical reasons, interest rates can only be trivially below zero and the main impact was on exchange rates," he says. "This leaves countries open to accusations of 'beggar-thy-neighbour' exchange rate manipulation – enacting a policy that benefits them at the expense of their neighbours or trade partners. Real interest rates (adjusted for inflation) are what matter for investment and these have often been negative in the past, so there seems little important distinction between low rates and negative rates."

> **"Banks were pumping and building this big bubble that then burst."**
>
> Dr Simone Giansante,
> University of Bath School of Management

'Helicopter money' – the provision of direct cash grants funded by the central bank – is another unconventional policy that was mooted – but no country ever enacted it.

"Over time, it came to be accepted that helicopter money was just a form of fiscal policy, funded by the banking system's forced holdings of excess reserves," Grenville says. "On mature consideration, bypassing the normal parliamentary processes and handing over effective fiscal policy to the central bank didn't have wide appeal."

For all the boldness of these initiatives, the results were disappointing, Grenville notes.

QE1 – the first US foray into QE in 2008 in a bid to rescue the financial system – mainly involved buying back 'toxic' mortgage-backed securities and was universally seen as a huge success. But later QE episodes directed at a different objective – stimulating growth and inflation – had patchy results.

UNCONVENTIONAL MONETARY POLICY

"Longer-term interest rates fell, asset prices rose and exchange rates depreciated, but bank lending remained weak," Grenville says. "US bank lending fell after QE1 began, and didn't recover its pre-crisis peak until more than three years later. In Europe and the UK, bank lending was even less responsive. Japan, the country with the longest experience of QE, remains mired in slow growth and below-target inflation to this day."

Here to stay?

Looking ahead, Grenville says QE is proving hard to unwind, as the financial system has become accustomed to operating with substantial excess central-bank money.

"Whether it can be weaned off its dependence on excess liquidity remains to be seen, but central banks are less enthusiastic about QE than they once were," he says. "And, of course, the need for QE1-type crisis action has gone. Forward guidance seems set to stay, even though it presents central banks with a minefield of misinterpretation possibilities. Markets are always demanding more information, so the current stream of official speeches and predictions seems likely to remain the norm. There seems little enthusiasm for negative interest rates."

Unconventional monetary policies have probably done no great harm, and maybe some overall good, Grenville believes. But the basic problem remains: none of these policies has been very effective in stimulating growth or getting inflation back to target.

Side effects

In October 2019, a report titled: *Unconventional Monetary Policy Tools: A Cross-country Analysis,* was published by the Committee on the Global Financial System (CGFS), which monitors developments in global financial markets for central bank governors.

It is part of the Switzerland-based Bank for International Settlements (BIS), which represents 60 central banks around the world and aims to foster international cooperation on monetary and financial stability.

Philip Lowe, Governor of the Reserve Bank of Australia, chairs the Committee on the Global Financial System and summarised some key observations of the report in an address to the Australian Business Economists Dinner last November.

"There is strong evidence that the various liquidity support measures and targeted interventions in stressed markets were successful in calming things down and supporting the economy," Lowe said. "When markets broke down and became dysfunctional, the actions of central banks helped stabilise the situation and helped avoid a damaging gridlock in the financial system."

However, he noted various side effects of the different unconventional measures.

"The first is that the extensive use of unconventional monetary tools can change the incentives of others

> **"Extensive use of unconventional monetary tools can change the incentives of others in the system."**
>
> Philip Lowe, Committee on the Global Financial System

"Developed economies have lost their mojo," he adds. "The lesson ought to be that monetary policy did a good job in handling the unfolding 2008 crisis and has helped the recovery. But has not been powerful enough to offset the many headwinds: the longer-term effects of the financial crisis (including balance-sheet effects), structural and systemic problems, over-sensitive risk concerns, trade-based global uncertainty, short-termism and distorted investment incentives, and the misjudged budget austerity of the 2011 to 2015 period.

"In most countries, monetary policy is still working 'pedal to the metal', but can do no more. If more is needed, it will have to come from fiscal policy and structural changes that unleash investment-enhancing productivity."

in the system, perhaps in an unhelpful way. It is possible that the willingness of a central bank to provide liquidity reduces the incentive for financial institutions to hold their own adequate buffers, making episodes of stress more likely in the future.

"It is also possible that the willingness of a central bank to use its full range of policy instruments might create an inaction bias by other policymakers, either the prudential regulators or the fiscal authorities. If this were the case, it could lead to an over-reliance on monetary policy.

"A second side effect is the impact on bank lending and the efficient allocation of resources. Persistently low or negative interest rates and a flattening of the yield curve can damage bank profitability, leading to less capacity to lend. In some countries, there are concerns that low interest rates allow less-productive (zombie) firms to survive. There are also financial stability risks that can come from low interest rates boosting asset prices (and perhaps borrowing) at a time of weak economic growth."

A third side effect is a possible blurring of the lines between monetary and fiscal policy, Lowe continued. "If the central bank is buying large amounts of government debt at zero interest rates, this could be seen as money-financed government spending. In some circumstances, this could damage the credibility of a country's institutional arrangements and create political tensions.

"Political tensions can also arise if the central bank's asset purchases are seen to disproportionality benefit banks and wealthy people, at the expense of the person in the street. This perception has arisen in some countries despite the strong evidence that the various monetary measures supported both jobs and income growth and thereby helped the entire community. These are all side effects we need to take seriously."

Lowe concluded that a package of measures works best, with clear communication that enhances credibility. Exactly what that package looks like varies from country to country and depends on the specific circumstances. But clear communication from the central bank about its objectives and approach is always important.

Ultimately, there may be better solutions than monetary policy to solving the problems of the day.

Summing up, Lowe said "We need to remember that monetary policy cannot drive longer-term growth, but that there are other arms of public policy than can sustainably promote both investment and growth". CB

THE UMP TOOLKIT

Negative interest rates (see page 50)
Reducing rates below zero, so cash deposits incur a charge for storage at a bank, rather than receiving interest. First deployed by Sweden's central bank in July 2009, Denmark, the Eurozone, Hungary, Norway, Switzerland and Japan followed. Rates have been lowest in Switzerland, at -0.75%.

Extended liquidity operations
Approaches differed across countries, but included expanding the range of collateral accepted; extending liquidity volumes and eligibility and providing funding to banks at below market cost.

Quantitative easing
First used by Japan in 2001, this is the outright purchase of private sector financial assets by central banks, who pay for those assets by creating central bank reserves. Central banks mostly bought government securities (government debt). Before the 2008 financial crisis, the major central banks owned securities equivalent to around 5% of GDP. In recent years, this has risen to nearly 30%.

Forward guidance
Giving markets a steer on the direction of monetary policy. This generally looks ahead for a specific time period, such as a year, or links money policy to economic factors including changes in unemployment or interest rates. The US Federal Reserve started using forward guidance during the recession of the late 2000s. The Bank of England launched forward guidance in 2013.

Yield curve control
By promising to buy government bonds if yields rise a certain distance, central banks can influence government bond yields further into the future. This is a policy designed to give the impression of looser financing conditions to encourage borrowing, investing, spending and risk taking.

Helicopter money
The provision of direct cash grants funded by the central bank was discussed, but never implemented by any central bank.

BANGOR BUSINESS SCHOOL

How low, for how long?

Alessio Reghezza explores the bank- and country-specific characteristics that can amplify or weaken the negative effects of NIRP on bank margins and profits.

Since the 2008 financial crisis, policymakers have been facing myriad challenges including economic stagnation, high unemployment and deflation. As an immediate monetary policy response, central banks cut interest rates aggressively through conventional accommodative monetary policy.

However, when interest rates approached zero without producing the hoped-for effects on nominal spending and inflation, many central banks implemented a wide range of unconventional monetary policies including large-scale asset purchase in the form of quantitative easing as well as policy rate forward guidance.

These policies took a step further from 2012 onwards when Denmark, the Eurozone, Hungary, Norway, Sweden, Switzerland and Japan implemented negative interest rate policy (NIRP) in order to provide further economic stimulus to constantly weak economies.

The aim of NIRP is to increase the cost of banks holding excess reserves at the central bank encouraging them to take them back on the balance sheet. This should lead to beneficial outcomes for the real economy coming mostly from a greater supply and demand for loans due to the decline in funding cost for both banks and borrowers.

"Competitive behaviour among banks amplifies their exposure to negative interest rates."

Nevertheless, going below zero and pushing rates into 'uncharted' negative territory deserves serious consideration and analysis. In this regard, the 'how low for how long?' question has raised concern about the long-term effect of this policy on financial intermediaries' performance and on the economy as a whole.

NIRP has generated controversy with sceptics pointing to several factors that might affect the soundness of financial institutions and complicate the transmission from negative policy rates to higher bank lending. One factor that has been mentioned is that NIRP could compress net interest margins and, therefore, bank profits, which may erode bank capital bases via a reduction in retained earnings posing financial instability concerns. Reduced retained earnings and the subsequent erosion of bank capital might also limit the transmission of NIRP to bank lending as retained earnings are the most important source of bank's own funds. This creates a vicious circle where squeezed margins and low profits limit a bank's ability to retain earnings and build capital buffers ultimately increasing risks as well as stifling NIRP monetary transmission.

Our work at Bangor University, through a collaboration with colleagues from the University of Bath and the University of Sharjah in the United Arab Emirates, has been to investigate which bank- and country-specific characteristics can amplify or weaken the negative effects of NIRP on margins and profits.

Pros and cons

Since interest rates affect both the asset and the liability side of banks' balance sheet, the effect of NIRP on bank performance is ambiguous. A cut in interest rates into negative territory may increase bank profitability if: a) there is significant loan growth and margins are not reduced; b) banks boost fee and commission income; c) they hold a sizeable amount of fixed-income securities; d) banks also reduce non-interest expenses; or/and e) negative interest rates improve borrowers' creditworthiness reducing loan-loss provisions. On the other hand, if banks are unable to reduce deposit rates to the same extent as loan rates then margins will be compressed, and if there are limited opportunities to boost non-interest income then profits will likely fall.

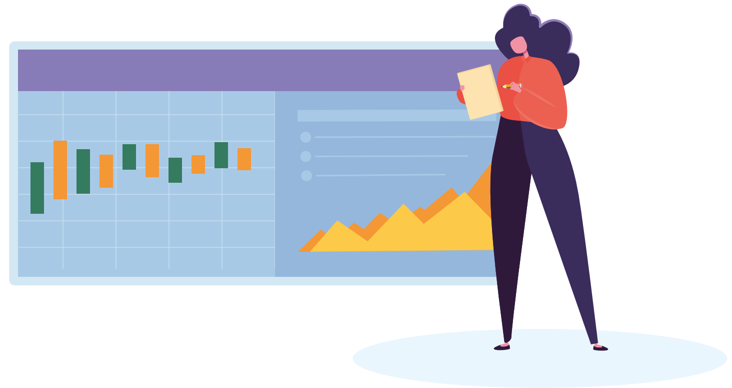
The negative effect of NIRP on bank margins and profits can have profound policy implications in terms of both monetary transmission and financial stability. If NIRP results in a decline in margins and profits, this can erode bank capital bases through a reduction in retained earnings. In turn, this can further limit credit growth stifling NIRP monetary transmission.

Low profitability may also raise financial instability concerns especially as many European banks have been struggling to maintain respectable levels of profitability because of the slow economic recovery, historically high levels of non-performing loans, and a post global financial crisis and European sovereign debt crisis deleveraging phase. Banks' and depositors' 'move-into-cash' behaviour could also affect monetary transmission and financial stability. If banks hoard cash, this would undermine the effect of NIRP and, consequently, weaken the transmission mechanism. On the other hand, the risk of deposit flight will endanger financial stability by boosting liquidity risk in the banking sector.

Identifying vulnerable banks

As we've said above, bank- and country-specific characteristics can amplify or weaken the negative effects of NIRP for banks. Specifically, bank size, business model, capitalisation, assets repricing and product-line specialisation as well as the characteristics of a country's banking sector, such as the degree of competition and the prevalence of fixed/floating lending rates, can mitigate or magnify the negative consequences of NIRP.

Large banks have more diversified portfolios, greater international reach and hedging expertise; therefore, they can alleviate the effect of NIRP on bank margins and profits by hedging against interest rate risk via derivatives and increasing non-interest income activities. Banks that rely on wholesale funding may benefit from NIRP in terms



of cheaper funding costs compared with those that depend mainly on retail deposits where rates are 'sticky' downward. The latter will also find it more difficult to pass negative rates on to depositors.

From a business model perspective, banks with different product-line specialisation tend to exhibit varying degrees of sensitivity to interest rate risk. Hence, banks such as real estate mortgage specialists, which have a higher proportion of long-term assets in their portfolio and face stronger maturity mismatch risk, could suffer a more considerable contraction in profitability induced by NIRP. This will depend also on the contractual details of existing loans and, in particular, their degree of interest rate indexation. Banks that hold mostly floating interest rate loans face stronger compression of net interest margins.

When banks are under capitalised, the positive effect of NIRP on bank funding cost is limited as banks face difficulties in raising capital. This may have a negative effect on banks' profitability if the decrease in loan rates dominates the reduction of bank funding cost. However, banks that hold capital in excess of that required by regulation face an opportunity cost and profitability pressure as excessive capital could be employed for profitable investment opportunities.

Competitive behaviour among banks amplifies their exposure to negative interest rates. If competition between banks is fierce, lending rates should drop, and if deposit rates are already low, then margins will be compressed. Finally, banks operating in countries with sufficient surpluses are likely to face greater profitability pressure as they hold larger excess reserves subject to NIRP. CB

About the author

Alessio Reghezza is a lecturer in Banking at Bangor University and a consultant at the European Central Bank (Directorate General Macroprudential Policy and Financial Stability). Reghezza's interests include the effect of monetary policy and macroprudential policy on the banking sector. He has contributed to the European Central Bank Financial Stability Review by investigating the relationship between banking sector consolidation and banks' profitability and stability.

Philip Molyneux, Alessio Reghezza and Ru Xie, (2019). 'Bank Margins and Profits in a World of Negative Rates', Journal of Banking and Finance, Vol 107, 105613. Available at: https://doi.org/10.1016/j.jbankfin.2019.105613

Chartered Banker MBA

Bangor Business School – Executive Education

Dual Qualification
Gain a dual award of a top MBA in Banking and Finance and Chartered Banker Status

Flexible Delivery
Study the global, part-time Chartered Banker MBA, allowing flexibility to study around work commitments

Fast Track Routes
Accelerated routes available for holders of professional banking, accounting or a relevant postgraduate qualification

Scholarships & Fee Incentives
Available on selected routes, MCIBS route attracts a further discount

Chartered Banker

+44 (0) 1248 3659 83/84
cbmba-admissions@bangor.ac.uk
charteredbankermba.bangor.ac.uk

Bangor University has achieved a Gold Award in the 2017 Teaching Excellence Framework (TEF)

PERSONAL DEVELOPMENT

Out with the old, in with the new

Rankin Bank is considering several wide-ranging policy options in response to a detailed survey, but customer feedback on the changes has been mixed. BOB SOUSTER questions whether the bank should be allowed to force change.

The scenario

Rankin Bank is one of the four largest banks operating in a developed European country. The banking industry in the region is highly concentrated, with most business conducted by these four organisations and the remaining proportion by a mixture of regional, mutual and new challenger banks. In fact, the marketplace has been described by some as 'oligopolistic' and 'monopolistic'. To some extent, brand is important in this environment, but a large percentage of consumers regard major banks as being 'all the same'.

The findings of the bank's recent customer survey reflect some of these characteristics. A high percentage of customers described the bank as "efficient, stable but not innovative". In relation to image, some observed that the bank was "stuffy and conservative". Some even described it as "boring", adding that the offices were formal and old-fashioned.

The survey uncovered some interesting customer perspectives on future use of the bank. Rankin had already observed a significant move away from traditional channels to market, with fewer customers visiting and a larger proportion using internet banking. Only 30% of customers use branch counters, and the majority of these customers are the elderly and those running small businesses. The survey suggests that this trend will accelerate in years to come.

The bank's board of directors is now discussing possible changes to align the bank's strategy more closely with the survey and observed trends.

The first proposal relates to the physical branch offices. The board has decided it needs to both downsize the branch network and change the way branch premises are presented. The reduction in branches is expected and in line with other banks' decisions. However, the directors have decided to change the internal presentation of branches by taking away counters in favour of a 'hot desk' layout. When customers visit the branches, the staff will either direct customers to terminals through which their needs will be processed or deal with customer requests using their tablets.

Staff will also be informed that they should no longer wear staff uniforms, or even a suit. They will be permitted to dress in smart casual attire but wear identity badges with their forenames and the bank's logo.

A second major change proposed by the bank is to reduce the number of hours during which cash transactions can take place. As fewer customers now rely on branch counters, it is intended that cash will be handled for only two hours per day. Reflecting the shift towards digital banking, it is also proposed that the bank no longer offers physical passbooks for savings accounts, as mini statements can be generated by ATMs and full statements can be ordered from the central service centre, with delivery to the customer within 10 days.

The board tested the proposals by setting up a customer focus group and received mixed responses. While some welcomed the changes as a positive attempt to modernise the bank, its products and its image, some were uncomfortable with the extent to which customers would feel pressurised into doing business in a pre-packaged way, removing individual choice and possibly alienating some groups of customers. Some thought the changes would create real problems for customers who were intimidated by new technology and for small businesses relying on depositing daily takings. The most vociferous negative responses believed the bank should take an incremental approach and avoid being seen as attempting to force changes on its customers.

What are the ethical implications of the changes proposed by the board of Rankin Bank? 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.

"Some welcomed the changes as a positive attempt to modernise the bank, its products and its image."

The analysis

The founding principles upon which marketing sits are anticipating and identifying customer needs and addressing their needs in a manner that is consistent with the producer's, i.e. Rankin Bank's, objectives. Over time, needs evolve, and so this process is dynamic. However, in some cases producers in a market may attempt to drive change by unilaterally trying to shape products and services or how they are delivered. This reflects a well-trodden path in the banking industry, one where branch networks have been rationalised in favour of alternative, mostly digital, channels to market. Though never uncontroversial, customers have adapted to these changes. And despite the introduction of Open Banking and initiatives such as the customer switching service, there is a remarkable level of customer inertia which sees most customers content to stay where they are. This too may change in time.

> **"The most vociferous negative responses believed that the bank needed to take an incremental approach and avoid being seen as attempting to force changes on its customers."**

In other industries, such an approach has seen mixed results. One of the most-often cited examples of producer-led change is Coca-Cola's attempt to alter the recipe of its flagship beverage in 1985, which prompted a furious reaction from consumers and an embarrassing reversal of policy by the company. In the British brewing industry in the 1960s, many of the major producers shifted away from traditional products in favour of more standardised, almost homogeneous offerings, whether customers wanted them or not. In due course, consumer pressure forced a return to products deemed to have more distinction and better quality. It could be argued that these were good examples of social contract theory in action.

Should Rankin Bank try to force changes on its customers?

Most banking organisations broadly adopt a utilitarian approach through which their offerings will reflect the greatest benefits to the greater number. To this extent, the bank is only responding to existing trends in the marketplace by driving these changes harder. Most customers will not be surprised at having less opportunity to carry out counter transactions because most of them do not use these services at all. However, as with all utilitarian decisions, there will inevitably be a minority who are both unhappy with what the bank is doing and disadvantaged to some extent by the changes that are implemented. As a consequence, the depositor who wants a passbook or the small business owner who needed to deposit a large volume of cash may no longer have the opportunity to do so.

Some consequences are even more stark: until relatively recently it was possible to walk into most branches and have a statement printed on the spot. Rankin Bank is now telling customers that a full statement will entail a wait of up to 10 days.

The criticisms of the minority who see themselves as being let down by the bank should be assessed against the reality that some of the services they demand are no longer economically viable. Simply put, they rely on the old model of banking operations that cannot work in the third decade of the 21st century, unless it is also considered right and fair to subsidise one group of customers at the expense of others.

An alternative view is to consider the bank's obligations in terms of duties. According to the concept of 'enlightened shareholder value', banks have duties to their shareholders but also to other stakeholders. Customers who are happy with digital banking will see no deficiency here, while those adversely affected most certainly will.

Some of the changes, such as the proposals relating to internal branch configuration and staff attire, will be regarded as cosmetic and unimportant by some, while inevitably some customers will berate the bank for embracing lower standards. This will certainly be the case if a customer's perception of a professional banker is someone who is dressed 'smartly' and more formally. The jury remains out on such initiatives, though there is evidence from the alternative approaches adopted by newer, challenger banks that the public does not radically reject new ways of doing business. CB

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

CORPORATE CHARTERED

A new framework for professionalism

Introducing the Institute's new Corporate Chartered Framework – and the first bank to be recognised.

Having the opportunity to publicly recognise organisations investing in the professionalism of their people is an important benefit of the Institute's new Royal Charter, awarded in November 2018.

To help organisations make the most of this opportunity and support the Institute in nurturing professionalism within the sector, it has recently launched its Corporate Chartered Framework. This is designed to work with an organisation's own structure, learning and development (L&D) capability and appetite, to deliver a more structured approach to professionalism.

Individual and organisational professionalism

As well as helping the Institute achieve its strategic purpose of leading the re-professionalisation of UK banking, Corporate Chartered status creates a link between individual professionalism and organisational accreditation. For organisations, Corporate Chartered status is a mark of professionalism that customers, colleagues, regulators and stakeholders can use to inform their decision-making and engagement. It can also support and enhance board and regulatory reporting. Meanwhile, individuals benefit from a framework built on professional qualifications and membership, providing them with transferable, tangible recognition of their professional expertise and conduct.

Corporate Chartered status is open to organisations keen to enhance and publicise their approach to professionalism. The Institute operates a three-tier charging structure dependent on headcount to support organisations to achieve and maintain the award.

Is my organisation eligible?

In order to seek Corporate Chartered status, organisations must demonstrate three pillars: Professional Advocacy, Professional Values, and Professional Knowledge and Expertise. Underpinning those three pillars are 10 statements that define the Framework:

PROFESSIONAL ADVOCACY

1. Senior leaders publicly support and endorse the value of professional qualifications, and maintenance of professional expertise and conduct, supported by professional body affiliation and membership
2. A key decision-maker (board, executive member or similar) actively supports and has responsibility for professionalism across the organisation
3. Chartered Bankers proudly advocate membership.

PROFESSIONAL VALUES

4. The organisation has a code of conduct aligned to the Institute's Code of Professional Conduct
5. The organisation makes a commitment to use Corporate Chartered status, which recognises the importance of banking professionalism, in internal and external communications
6. Individuals demonstrate their professional values via commitment to a code of professional conduct and maintenance of professional expertise, supported by professional body affiliation and membership
7. Individuals and the organisation actively support progress towards and achievement of Chartered Banker status.

PROFESSIONAL KNOWLEDGE AND EXPERTISE

8. The organisation actively promotes the value of professional qualifications and maintenance of professional expertise supported by professional body affiliation, membership and continuing professional development
9. Individuals demonstrate their professional knowledge and expertise by gaining appropriate professional qualifications including those offered by the Chartered Banker Institute
10. At a senior and experienced level, individuals and the firm actively support routes to Chartered Banker.

How can my organisation achieve Corporate Chartered status?

Working alongside the Institute, there is a six-step process pathway for organisations to follow:

STEP 1 – DIAGNOSTIC

Based on the criteria, the Institute will run a diagnostic tool to assess where a firm is on its pathway to Corporate Chartered status. If firms meet the criteria, they progress to Step 4.

STEP 2 – ACTION PLANNING

For firms not yet meeting the criteria, the Institute will work with the firm to develop an action plan. Once completed, it will be assessed by the Institute, which will confirm that the firm is 'working towards' Corporate Chartered status.

STEP 3 – PROCESS CHECKS

Regular, supported checks by the Institute's Relationship Management Team on progress with action planning.

STEP 4 – ASSESSMENT AND VERIFICATION
There will be a two-stage assessment and verification process carried out within the Institute. The Institute's new Board of Trustees will be kept appraised of Corporate Chartered awards.

STEP 5 – AWARD AND RECOGNITION
Firms working towards Corporate Chartered will be recognised in the following ways:

- A certificate confirming a commitment to professionalism
- Media coverage

Firms achieving Chartered status will be recognised in the following ways:

- The Chartered Banker Institute's mark (with accompanying rules of use)
- A certificate presented by the Institute's President at a high-profile event
- Extensive media coverage.

STEP 6 – REVIEW
Organisations will be awarded Corporate Chartered status for five years with annual and on-going reviews during that period to ensure that the criteria continue to be met. CB

To find out more about how your organisation could achieve Corporate Chartered status, visit https://www.charteredbanker.com/employers/corporate-chartered.html

RBS ACHIEVES CORPORATE CHARTERED STATUS

RBS is the first organisation to be awarded Corporate Chartered status. Alison Houston, Head of Professional Career Development Programmes, RBS, tells us why that's so important to the bank and how the process worked.

Q. What sparked your interest in the Corporate Chartered Framework?
A. Much of the work relating to professional standards is focused on individual capability – ensuring people working in banking have the right knowledge, skills and accountability for their roles. However, a key area that was highlighted in the Parliamentary Commission on Banking Standards was banking culture. It takes more than professional qualifications to drive a professional culture and Corporate Chartered recognises that.

Q. Which aspects of the Framework particularly resonated with RBS?
A. The alignment with professional values and advocacy was particularly important. RBS is the most professional UK bank in terms of the number of professionally qualified bankers we have. But in order to meet the Corporate Chartered benchmark, we had to show that we had board-level engagement and sponsorship, that our shared corporate values were aligned to professional standards and that we had processes in place to manage performance. That's important to ensure that our people have the right environment to work in and feel supported to always do the right thing for our customers.

What is great about achieving Corporate Chartered is that it recognises publicly all the hard work that we've done to embed our values and ensure that they're working in practice.

Q. How did you find the pathway to achieving Corporate Chartered status?
A. The process itself is fairly straightforward. The Institute has defined the key systems and processes that an organisation must have to ensure professional standards are in place and then overlays this with some practical measures to ensure there is a culture of professionalism at all levels throughout the organisation. It was a useful toolkit to review our existing framework and check for any gaps. For anyone starting from scratch, the Framework details the practical measures required to build and embed a professional culture.

It was enlightening that the Framework recognises all the different professions in banking. Some of our professionals, e.g. accountants, lawyers, data analysts etc. will associate with the professional body relevant to their specialism and we need to recognise and support that. The Framework is designed to incorporate all of the work required to maintain professional standards in financial services, including engagement with other professional bodies as well as the Institute's own qualifications and membership.

Q. What are the benefits for organisations and the industry as a whole?
A. As an industry that has been through some tough times, and still has a lot to do to restore customer trust, Corporate Chartered status provides a benchmark for professional standards, and helps financial services firms demonstrate the importance we place on offering great professional service to all our customers.

We need to continue to work together to raise industry standards and restore trust and I'd encourage other organisations to embrace Corporate Chartered status as a mark of industry professionalism.

> **"Corporate Chartered status provides a benchmark for professional standards and helps financial services firms demonstrate the importance we place on offering great professional service to all our customers."**
>
> Alison Houston, RBS

INSTITUTE ADVOCATES

Banking on change

Institute Advocate Brian McCrindle says banks are making good progress on ethical, sustainable and digital priorities – but more work is needed.

Brian McCrindle, Board Trustee and Institute Advocate at the Chartered Banker Institute, believes that across the industry, we have made significant progress since the days of the banking crisis. But big ethical questions remain for the banks, he emphasises.

"An important one for me is: do our customers feel the same positive improvements? Banks are seeing green shoots of recovery," he says. "But they must think carefully about the learnings from some of the things that may well have contributed to the global financial crisis back in 2008. We have to be mindful about debt, making sure it is affordable to service, especially around high loan-to-value mortgages and when very low introductory offers on credit card debt come to an end."

McCrindle remembers being taught ethics back in the late 1980s as part of his banking exams. "So it has always been a foundational tenet of the industry," he adds.

Being an Advocate of the Institute, which has promoted professionalism in banking since it was founded in 1875, is about giving back, he says.

"I think it's important to encourage people coming into the industry today to think about that professionalism and build on that same foundation. It's about saying: 'You can achieve quite a lot if you get those foundations right and build as you go along'."

Career milestone

Qualifying as a Chartered Banker was an important milestone in McCrindle's 33-year career in banking – one that enabled him to qualify as a Chartered Accountant with The Institute of Chartered Accountants of Scotland.

"The chartered accountancy profession looked at the banking exams and assessed they were equivalent to degree standard, so that enabled certain newly qualified bankers to train as Chartered Accountants as well," McCrindle explains.

"I don't think I could have gone on to some of the roles I have without the Chartered Banker qualifications. The basic knowledge and understanding they gave me in different aspects of banking, such as credit and risk, as well as law, economics and finance, were massively important and a really good foundation for my future."

In his work across multiple areas of RBS, including branch banking, internal audit, group projects and personal and business banking, some particular roles stand out.

"The integration projects are key ones for me," McCrindle continues. "And that started off with the integration of NatWest and RBS in 2000. That was a fabulous experience and helped me to meld together what I'd learned through the Chartered Banker qualification and also my accountancy training. This enabled me subsequently to get involved in other transactions and acquisitions.

"After that, we moved into financial crisis time and I coordinated a cost reduction programme for the bank

"It's easy to get carried away with new technology – but addressing customer need should always be the principle focus."

in 2008 and onwards.The scale and pace at which we had to take action – and especially the loss of so many jobs – was difficult, but it was a massive piece of learning."

Driving innovation

After directorships in Group Projects and Distribution and Strategy for UK Retail Finance, McCrindle became Head of Finance in Personal and Business Banking for RBS and then, finally, Director of the bank's Homebuying and Ownership Customer Segment in Personal Banking.

"Up to this point all my roles had reported into the Finance function of the bank, and this was the first role at the sharp end of the business, responsible for how we dealt with customers in the mortgage segment," McCrindle explains.

"So I was particularly pleased to be in that role and, while I was there, I led the implementation of the UK's first paperless mortgage process, working with a small FinTech company that showed how quick and nimble we could be in developing an innovative, industry-leading customer proposition."

Applying for a mortgage up to this point had typically involved taking your documents into a branch to be photocopied, stamped and sent off, or posted using " snail mail".

"It was a real pain for the customer and created friction," McCrindle says. "The paperless process allowed us to take all that out and to do everything electronically. We had great feedback from customers, and that's one of the things I'm most proud of."

Digital banker

McCrindle remains a passionate advocate of technology and recently joined Edinburgh-based Symphonic Software, an access management software specialist. As Chief Operating Officer he will help drive the company's growth plans in Europe, Asia and the US, with a particular focus on the banking sector.

"I've learned a lot about access management with Symphonic and generally how poor we are at managing access to data," says McCrindle. "We tend to focus on identity (the 'who'), but often don't place strong enough emphasis on access control (what we allow them to do)." For example, he explains, you wouldn't open the front door of your house to someone, even though you had checked their name, and let them do whatever they wanted once they were inside.

In banking, it's easy to get carried away with new technology – but addressing customer need should always be the principle focus. And banks should make sure they really understand what they're dealing with.

"The analogy I use is a black box versus a glass box," McCrindle explains. "You might be relying on a new, innovative, technology-led system to undertake certain tasks but, as bankers, we must always be able to see in and understand how the decision-making intelligence works in these solutions. So, yes you can still have a great process that is better than before, but this time you really understand how it works."

"It's time more banks set stretching goals and targets to reduce their involvement in lending that impacts our environment."

The Chartered Banker Institute has proactively responded to technology debates such as these through its qualifications, particularly the recent introduction of its Advanced Diploma in Banking and Leadership in a Digital Age.

Banking sustainably

Sustainability and responsible environmental stewardship have also been prevailing themes at the Institute.

"We talk a lot about environmental impact at the Chartered Banker Institute," McCrindle continues. "And I'm very proud of this, because I think the Institute has really picked up the baton on some of these environmental themes through the introduction of its Green Finance Certificate™."

Launched by the Chartered Banker Institute in 2018 and updated in 2019, the Green Finance Certificate™ is the first global, benchmark qualification for the growing Green Finance sector.

"A lot of banks are starting to develop and measure their environmental, social and governance aspects, McCrindle says. "We know some of the lending that banks do contributes to the proliferation of fossil fuels. Do we really understand well enough how lending and banking facilities are involved in, for example, palm oil production or the deforestation of the Amazon? I think banks are much more aware of their environmental impact, but that needs to get stronger over time. It's time more banks set stretching goals and targets to reduce their involvement in lending that impacts our environment." CB

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

PROFESSIONAL FINANCIAL ADVICE

Taking control of compliance

From MiFID II to FAMR, financial advisers are battling with regulations and ever-moving goalposts. But help is at hand...

Keeping up with an ever-increasing compliance and regulatory burden is arguably the biggest challenge for UK financial advisers – and a key driver for exiting the profession.

The number of independent financial advisers (IFAs) and wealth managers in the UK could fall by 7% by 2022, according to research from wealth management firm Succession Wealth. It said 51% of the wealth managers and IFAs it surveyed cited the regulatory environment as a "very important" factor for businesses wanting to sell up. For 36%, growing pressure on costs was a significant driver.

What can advisers do to handle compliance more effectively and efficiently?

The Personal Investment Management and Financial Advice Association (PIMFA) is the UK's leading trade association for firms providing investment management and financial advice.

Ian Cornwall, PIMFA's Director of Regulation, admitted the compliance burden for advisers was huge and growing.

"Over the past two to three years, advisers have faced a huge amount of regulatory change – in particular the implementation of MiFID II [the Markets in Financial Instruments Directive – a European Union legislative framework designed to standardise practices across the EU] and the IDD [the Insurance Distribution Directive – a new EU-wide directive aimed at creating a 'level playing field' for insurance distribution]. IFAs must also now adhere to SMCR [the Senior Managers and Certification Regime] to improve individual accountability and conduct across firms.

"Further changes may be on the horizon towards the end of this year following the review of the Financial Advice Market Review [FAMR – a Treasury and Financial Conduct Authority (FCA) initiative on affordable and accessible financial advice] and the Retail Distribution Review [RDR – new regulations on how financial advice operates in the UK]. We are also expecting some time in 2021 that firms will have to consider a client's environmental, social and governance [ESG] preference as part of their suitability obligations."

Tackling the burden

The treatment of vulnerable customers is another increasingly important area, and further material on this is expected from the FCA this spring. Although not specific to financial services, General Data Protection Regulation – the new EU law on data protection and privacy introduced in 2018 – is among other legislation to have added to the burden placed on financial advisers.

"Firms – particularly small firms – face significant challenges in addressing regulatory change," Cornwall continues. "A significant part of PIMFA's resources is directed to towards helping firms meet their regulatory obligations, for example we publish guides on a broad range of topics, which are produced in consultation with our members."

Cornwall suggests the best support for firms is through joining a trade association or seeking compliance support. Case studies of different approaches to compliance are often hugely useful for firms of all sizes.

"We have some very large firms that still engage with us as a trade association because they want to discuss how members of their peer group are applying the rules and how they're addressing issues as well – and these are firms with large compliance departments," he says.

"So, for example, we're just about to pick up a project where we speak to firms about their experience in dealing with vulnerable customers. The FCA is scheduled to update its own work on vulnerable customers in May. We'll be updating our guidance

"The more firms can do to integrate regulatory requirements into the way that everyday business is done, the easier it will be to embed these practices and remain compliant."

> **"More than three-quarters (80%) of advisers consider compliance or regulation among their top three business challenges."**

too and, at the same time, we hope to be able to produce some supporting case studies on practical issues that firms face. Even the large firms want to know how other firms are addressing issues.

"On the major pieces of legislation, like MiFID II, we produce 'bibles' on all the major topics and there's quite a lot of commentary throughout our work about PIMFA's views on the application of different rules. These are usually based on discussions with our members and their compliance specialists."

Keep it simple

More than three-quarters (80%) of advisers consider compliance or regulation among their top three business challenges, with almost half (49%) naming compliance as their number one challenge, according to FundsNetwork, the investment services platform of Fidelity International.

FundsNetwork has three key tips for advisers: keep it simple, keep a trail – and prioritise the integration of compliance systems and mindsets.

"Simplifying processes and clearly defining roles within the firm can go a long way when it comes to better managing compliance and regulatory requirements," says Jackie Boylan, Head of FundsNetwork.

"Stripping processes down to the bare necessities and streamlining them into simple, easy-to-understand procedures will help advisory firms not only become more efficient but will also help achieve more consistent outcomes for clients. This can make regulatory reporting easier.

"The process of defining roles and responsibilities is also key to ensuring that no essential regulatory or compliance steps are missed, and everyone is aware of the responsibilities and what they are accountable for. This goes hand in hand with having clear, simple processes that are applied to every client case, reducing the risk of error or misunderstanding."

Good practice

Advisers can also take advantage of reporting tools offered by platforms and FinTech providers, Boylan adds.

"For example, many enhanced reporting solutions were developed in the wake of MiFID II, with the intention of helping companies comply with the new regulation. Using these tools can help firms to be compliant while also reducing the need for manual processes, thus improving efficiency."

It is also good practice to have an audit trail of all communications. Technology can be a great help with this, too, and can help to cut time and cost spent on auditing and reporting that could be better spent with clients.

Integrating regulatory requirements into a firm's 'business as usual' work can also help make the workload more manageable.

"With compliance and regulations changing all the time, it often feels like trying to keep up with moving goalposts," Boylan says. "Why adapt business practices to a new rule one day only to have to change it again the next?

"The more firms can do to integrate regulatory requirements into the way that everyday business is done, the easier it will be to embed these practices and remain compliant. For example, when first introduced, call recording was a significant burden, but now it is embedded in most firm's practices.

"By integrating such practices at the outset, it will also make any future adaptations easier to implement." CB

BOOK BANK

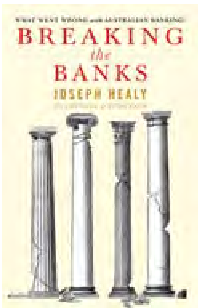
What went wrong with Australian banking?

Joseph Healy's *Breaking the Banks* is so much more than just "another 'banker-bashing' book", says the Institute's Chief Executive, Simon Thompson.

I'm delighted to review, and highly recommend, *Breaking the Banks: what went wrong with Australian banking?* by Joseph Healy, the co-founder and co-CEO of Australian SME-focused challenger Judo Bank. Healy is a Chartered Banker, originally from Scotland, who has spent most of his career in international banking, including as a senior executive at two of Australia's largest banks.

In *Breaking the Banks*, Healy gives a frank and honest insider's account of how Australian banks lost their sense of social purpose, professionalism and customer focus, with many similarities to the UK's experience. Culture, regulation, remuneration, recruitment, training and development all went awry, and all need to be substantially reformed. The book also, quite powerfully, makes a strong case for policymakers and regulators to revisit comparative risk weightings which have incentivised banks and bankers to grow mortgage books at the expense of lending to businesses, particularly smaller businesses.

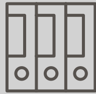
This is not another 'banker-bashing' book from a journalist seeking cheap headlines. While Healy doesn't pull his punches in respect of some individuals and institutions responsible for Australian banking losing its way, he also praises those who tried to do the right thing. He offers a common-sense prescription for reform, built on rediscovering and re-embedding the core banking skills and strong, customer-focused professionalism that can rebuild confidence and trust in banks and bankers, and reconnect banks and society. And, unusually, in an epilogue Healy reflects on his own experience and responsibility as a senior banker, and what more he could and should have done to enhance and sustain professionalism.



I can strongly recommend Healy's insightful and perceptive investigation of Australian banking – how it has been broken and how it can be rebuilt – to all students and practitioners of banking. He writes much that we agree with as an Institute, and much that I'm sure all Healy's fellow Chartered Bankers will agree with, too. CB

"A frank and honest insider's account of how Australian banks lost their sense of social purpose, professionalism and customer focus."

e-CC Toolkit

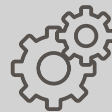


culture

ethics

conduct

professionalism



An ethics, culture and conduct toolkit is available to members and designed to enhance your understanding of professionalism and ethics in banking.

Learn at your own pace and access your e-CC Toolkit on the go, on any device, 24/7. To get started log in to the members' area of our website and visit My CPD.

The e-CC Toolkit is part of a wide variety of CPD resources available to support members. To find out more about CPD and membership of the Institute, email: membership@charteredbanker.com

charteredbanker.com

Chartered Banker

LESSONS LEARNED

Get big. Get niche. Or get a personality?

Wherever you look, brand polarisation is happening. In banking, services, retail and even politics. Conventional wisdom says get big, get niche or get out... but maybe there's hope for brands in the squeezed middle, suggests Ian Henderson.

Like banking, asset management is a sector where technology-driven disruption is making itself felt, bringing real benefits for consumers but also challenges for firms themselves. At one end there are US$6tn giants like Vanguard from the USA, for which we're launching a pioneering, low-cost, direct-to-consumer investment platform; and at the other sustainability niche brands such as Robeco from the Netherlands and Pictet AM from Switzerland.

For clients on both sides of the equation, results are remarkable. Even before a national consumer advertising campaign, peoples' savings were flooding into Vanguard's funds; both Robeco and Pictet AM have shot up the brand preference rankings (run by Broadridge) to sit alongside JP Morgan, BlackRock and Fidelity. Good marketing helps, but surely this is just more proof of the 'get big, get niche or get out' maxim?

Actually, it's more complicated – and also, as we'll see, perhaps simpler – than that.

Broadridge's own 2018 FB50 study shows "midsized providers that differentiate themselves between the extremes of 'expert specialist' and 'too big to fail' ... have risen strongly up the rankings." The key word here is 'differentiate' – but how exactly is that achieved? One way is through some attributes such as better client service or technological innovation. As we know, such functional differentiators can work – but only until something better, faster or cheaper comes along. It's not how enduring brands are built.

It's a fact that emotional differentiators are far more effective at building awareness, loyalty and long-term value for brands in any sector, from banks to biscuits. Tapping into what audiences are feeling, not just thinking, can be very powerful – according to IPA research studies, nearly twice as effective as a functionally based brand campaign.

So is the answer for brands in the squeezed middle simply to get some empathy going with their audiences? If only it were that easy. Look at State Street's highly praised 'Fearless Girl' campaign promoting the firm's gender-equality SHE fund; an outstanding marketing idea and perfect for the #metoo era. But fatally undermined by State Street's own poor gender equality track record, as a quick online search will reveal.

The campaign was, unfortunately, not true to the personality of the brand or the ethos of the business. While audiences loved the idea, its provenance was inauthentic and consumers are extremely good at spotting synthetic emotion. Look at NatWest's own attempts to apologise for past gender-equality missteps recently, for which the bank was slated by pretty much everyone.

So here's what looks like a complicated problem; emotional connections are great at creating differentiation for a midsize brand, but building those connections, especially in the low-trust financial services sector, looks to be fraught with hazards. But there is a simple answer. Just like your granny always said, be true to yourself. Build an emotional connection with the audience based on what really makes your firm tick, emotionally as well as functionally. In simple terms, find your personality.

"Tapping into what audiences are feeling, not just thinking, can be very powerful."

That can be tough. It demands honesty, openness and critical self-appraisal. Possibly even a recalibration of values and behaviours. Touching the beating heart of what makes your firm unique can be an uncomfortable experience. But get it right, and you have something that no competitor can copy or steal. A solid core that can guide and inspire people within the organisation. And a powerful emotional connection with your audiences, rooted in an authentic differentiator, that can provide relevance, meaning and an enduring reason for them to trust you. CB

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

Chartered Banker

MENTORING PROGRAMME

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

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

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

Institute Mentee

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

Institute Mentor

EXPLORE DEVELOPMENT IN THE NEW DECADE

Enhance your career in **2020**

Our flexible professional qualifications are designed with you in mind; each level of study with the Institute will help you to enhance and sustain professional standards in banking.

Develop your knowledge and skills through...

- Our updated Professional Banker Certificate is an ideal introduction to the banking sector, and the first qualification to include the UN Principles for Responsible Banking.
- The Green Finance Certificate develops knowledge of the science behind, and the principles and practice of Green Finance.
- Chartered Banker by Experience, the flexible and accelerated route to Chartered Banker status for experienced banking professionals.

Whether you are new to the sector, an experienced professional or a line manager looking to inspire their team, we can help you with professional development.

Enhance your career, visit:
www.charteredbanker.com
and enrol today.

Chartered Banker