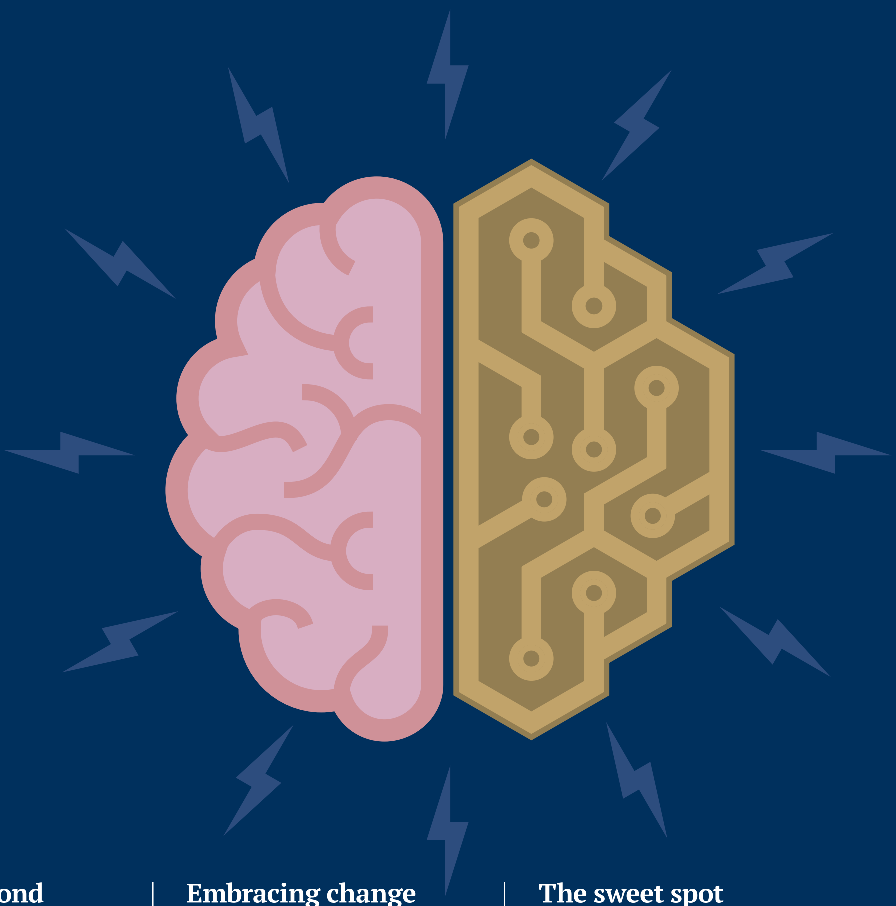
Chartered Banker

The future of banking

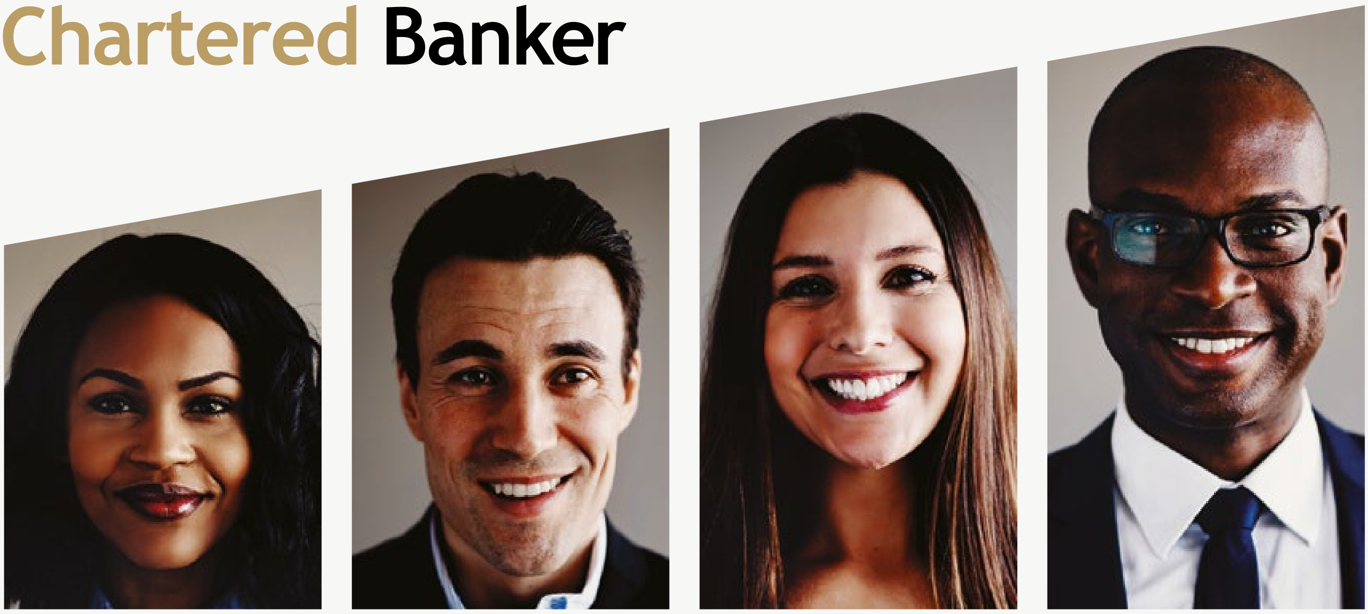
Autumn 2019

Play to your strengths

Bankers upskill to integrate artificial and human talent



Chartered Banker



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EDITIONS FINANCIAL

Chartered Banker
The future of banking

The front line

There's a very good reason tomorrow's banks will not be led by machines.

Simon Thompson, Chief Executive

This edition of *Chartered Banker* examines the evolution of banking roles and how technology, data, globalisation and other disruptive trends are redefining the skills needed by bankers of the future. As a member of the UK's Financial Services Skills Taskforce (the Taskforce), it's a subject I've been deeply immersed in.

The Taskforce's interim report, published in June, sets out the significant challenges for our sector from these trends. Financial services continues to face rapid and wide-ranging disruption, and so it follows that the skills that professional bankers will need in the future will change too.

Last September, Bank of England Governor Mark Carney spoke of how previous industrial revolutions had increased the importance of cognitive tasks relative to non-cognitive ones, with machines replacing (or complementing) human hands, but not human heads. We've seen this in banking over the years, of course, with clerks replaced by adding machines, computers and ATMs.

The current FinTech revolution has seen artificial intelligence (AI), machine learning and other new technologies begin to replace more cognitive activities – credit-scoring has been automated for many years, for example, and AI and algorithms play key roles in detecting and countering fraud. Roles traditionally conducted by human heads are now under threat. But machines still can't replicate tasks that require the human heart – creativity, communication, imagination and emotional intelligence – and individuals with these attributes and skills and an ability to work with and shape technology are in demand.

> "Machines still can't replicate tasks that require the human heart."

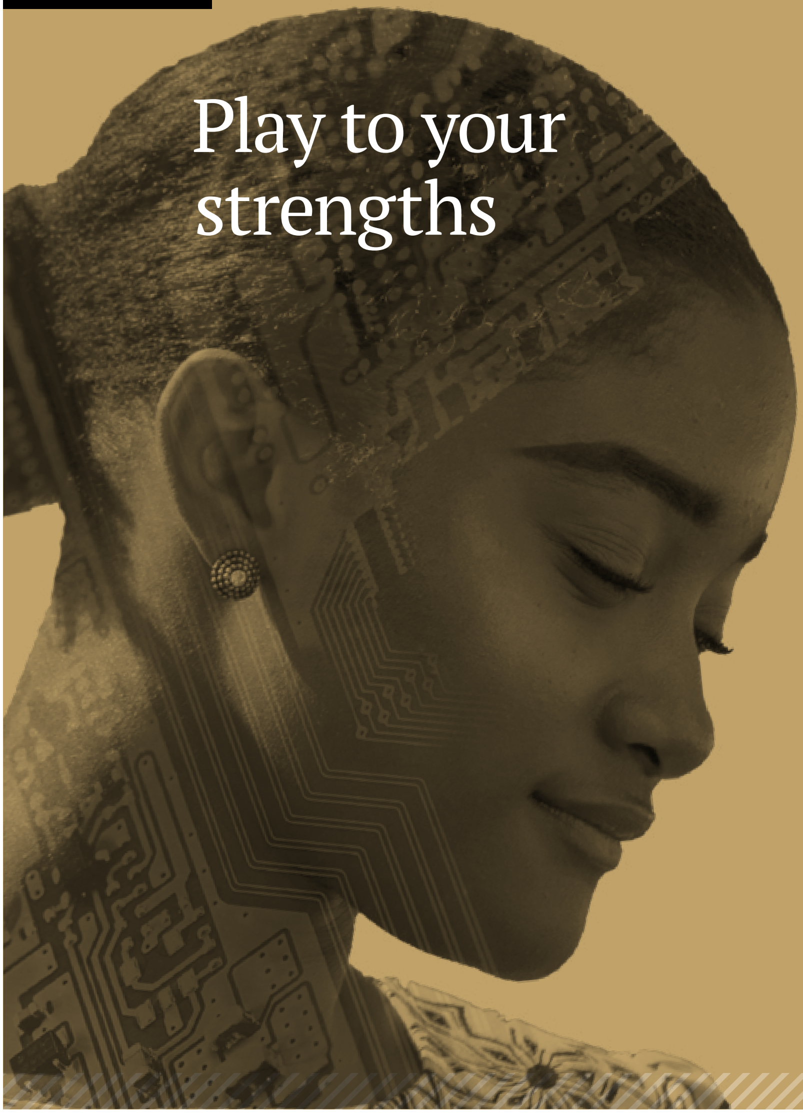
The key qualities needed to thrive in our Fourth Industrial Revolution – and beyond – are adaptability to continued change, and an ongoing commitment to self-reflection, reskilling and lifelong learning. We can't predict with any certainty what careers and roles will look like in 2025; what we can say is that the majority will be very different from those available today. As the professional membership body for bankers, our Institute is very well-placed to support our members with keeping their knowledge and skills up-to-date in a fast-changing world; over the coming months members will see an ever-increasing range of CPD opportunities from the Institute and our growing range of partners.

The future of banking will certainly be one in which technology plays a fundamental role. But it will not be a future led by machines – it will be shaped by future generations of knowledgeable, skilled and talented banking professionals. In early September, we met four future leaders at our 2019 Young Banker of the Year Final, with Sarah Walker emerging as a worthy winner, displaying creativity, customer focus, passion, enthusiasm and professionalism that no machine can replicate. CB

Contents

Regulars

Special report



Play to your strengths

“Banks have displayed tremendous flexibility and adaptability in embracing technology.” p14

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The professionals in this issue

Raman Bhatia is Head of HSBC UK’s Digital Bank. This includes the design and deployment of digital platforms, products and channels. **p14**

Georgina Bulkeley is Director of Strategy and Innovation for Personal Banking at RBS. She was previously a Director at Standard Life Investments and an investment banker at Goldman Sachs. **p17**

Danielle Harmer is Chief People Officer at Metro Bank. A Chartered Fellow of the Chartered Institute of Personnel and Development, she previously worked at Halifax, HBOS, Lloyds Banking Group and Barclays. **p17**

David May is Director of Learning and Development at RBS. He is a Fellow of the Chartered Banker Institute and Chair of the Institute’s new Membership Forum. **p17, 20, 54**

Philippa Foster Back CBE is Director of the Institute of Business Ethics, a charity that promotes high standards of business behaviour based on ethical values. **p26**

Damien Shieber is Head of Culture and Inclusion at Santander UK, where he leads culture strategy development across the 24,000+ strong organisation. Previous roles include HR Business Partner at the BBC. **p30**

Laura Bruce is Head of Programmes and Partnerships at social mobility charity The Sutton Trust, where she leads beneficiary-facing work, partnerships and impact of programmes. **p30**

Andrew Gilder is Asia-Pacific Banking and Capital Markets Sector Leader at EY. Currently based in Singapore, he has more than 20 years’ experience providing audit and assurance services to major financial services organisations globally. **p36**

People & numbers

Digital-only banks on track to triple customers

If digital-only banks operating in the UK continue to grow at their current rates, they could have 35 million customers globally by 2020 – up from 13 million today. The research, from Accenture Strategy, reported that five million people opened an account with a digital-only bank in the first six months of 2019 alone.

As they launch new products, widen their customer base beyond millennials and expand into new markets, these digital-only players are accelerating customer acquisition at a current growth rate of 170%.

But, despite retaining significant cost advantages and higher-than-average Net Promoter Scores, the research notes that many of these so-called 'challengers' are still unable to turn significant profit. On average, digital-only banks are losing £9 per customer. Meanwhile traditional banks remain the preferred primary account holder for most consumers and are investing heavily in digital to provide a better experience.

Santander partners on numeracy

Santander has named National Numeracy as its new strategic charity partner for 2019-2021, committing £200,000 a year to help improve financial inclusion in the UK. Independent charity National Numeracy was established in 2012 to help raise low levels of numeracy among both adults and children, promoting the importance of everyday maths skills.

Separate research from the new partners suggests that levels of and confidence in numeracy are having a tangible impact on individuals' prospects. More than half of Brits (52%) wish numeracy, finances and budgeting had been a bigger part of their life at home and school, says Santander, with four in 10 (40%) not "fully confident" with everyday budgeting and money management. Meanwhile National Numeracy's own study found that one in four had been put off from applying for a new job that listed "using numbers and data" as a requirement.

Facts & Figures

10th

the Bank of Mum and Dad's position if it were a mortgage lender

35m

digital-only banking customers by 2020, if growth rate continues

500

NatWest customers part of voice banking trial.

Do we need LGBTQ banks?

Michigan has approved a charter for a new financial institution designed specifically to meet the needs of LGBTQ customers. Online service from Superbia, Latin for 'Pride', could now begin in early in 2020.

Founder Myles Meyes told Bloomberg that Superbia Credit Union would offer products that are often outside the scope of a more traditional lender, such as loans for transgender people in the process of transitioning.

Citi promotes Truscott

Citigroup has announced the appointment of former J.P. Morgan banker Andrew Truscott as Co-Head of its UK Investment Bank. Truscott, who originally joined Citi in early 2018 as a managing director in its UK investment banking team, takes up the leading London-based position alongside Jan Skarbek.

Truscott's move to Citi in 2018 marked his return to banking after two years in fund management at J.P. Morgan, before which he worked in investment banking for nearly two decades.

Bank of Mum and Dad a top mortgage lender

In the second quarter of 2019, first-time buyer mortgages increased in every UK region, according to the latest Regional Mortgage Trends report from trade association, UK Finance.

London saw 9,960 new first-time buyer mortgages completed in the period, up 1.2% year-on-year.

Scotland recorded a 3.5% year-on-year increase to 9,160 new first-time buyer mortgages – the highest volume since 2017. In Wales, there was a 6.3% jump on the same quarter in 2018 to 4,080 new first-time buyer mortgages. Northern Ireland saw a 4.1% year-on-year increase, with 2,810 new first-time buyer mortgages completed.

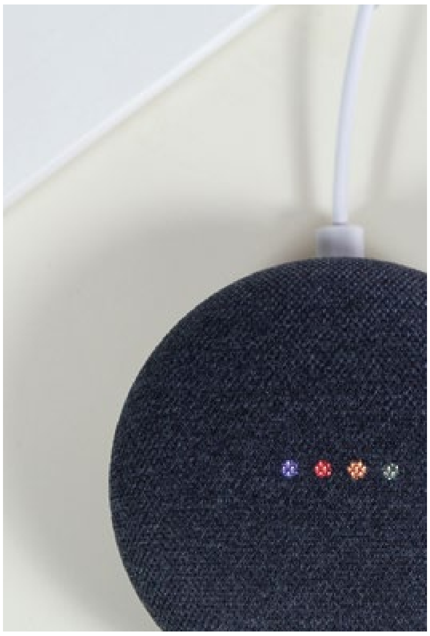
Meanwhile separate research from Legal and General revealed that parents are spending so much money on getting their children onto the housing ladder that the Bank of Mum and Dad would now be ranked 10th if it were a mortgage lender.

The survey reported that this year's average parental contribution to homebuyers was £24,100, up by more than £6,000 from the previous year. Collectively, parents have given £6.3bn in 2019.

NatWest trials voice banking

As part of a new three-month pilot, 500 NatWest customers will be able to bank from their home using just their voice. According to the bank, the trial will use innovative voice technology to enable customers to bank through the Google Assistant on their Google Home smart speaker or smartphone.

The initial pilot permits customers to ask eight questions, providing access to information including their current balance and recent transactions. Customers can also access more than 15 banking tips and, if the trial proves successful, there is potential for further questions and tips to be developed.



Meet two of our global members

Joe Windle
Chartered Member and Head of Structured Banking, HSBC, Singapore.

Joe joined HSBC in January 2009 and has been based in Singapore since April 2016.

Andrew Fening Okai
Chartered Member and strategic adviser to financial institutions in Africa.

Andrew is a graduate of the Chartered Banker MBA programme and recently returned to Ghana, where he advises financial services organisations. Prior to this, he worked at Standard Chartered for more than 20 years, most recently as Global Chief Operating Officer in Singapore.

To find out more about the Singaporean banking industry, turn to this issue's Country Spotlight on p36.

People & numbers

Boden named Banker of the Year

The Women in Finance Awards, which were launched in 2017, aim to showcase the UK's leading women in the sector. The growing awards series acts as a high-profile platform to support the industry in its mission to move the dial on gender and is now being expanded to celebrate women in finance across the globe.

This year's London-based event, hosted by What Investment, Growth business, DiversityQ and Bonhill Group, also marked the inaugural Women in Finance Summit.

The ceremony celebrated 150 shortlisted nominees and the judges selected 20 winners from across the breadth of the financial services sector:

- **Wealth Manager of the Year** – Charlotte Ransom, Netwealth
- **Fund Manager of the Year –** Esther Law, Amundi Asset Management
- **Financial Advisor of the Year –** Rebecca Robertson, Evolution Financial Planning
- **Ambassador of the Year –** Miranda Brawn, The Miranda Brawn Diversity Leadership Foundation
- **Banker of the Year –** Anne Boden, Starling Bank
- **Fintech Champion of the Year (Banking) –** Cristina Alba Ochoa, OakNorth
- **Legal Advisor of the Year –** Lesley Gregory, Memery Crystal LLP
- **Finance Team of the Year** – Louise Jack, Macquarie Group
- **Insurance Leaders of the Year –** Rose St Louis, Zurich Insurance and Shazia Azim, PwC
- **Advocate of the Year –** Sarah Cooper-Jones, NatWest
- **Disruptor of the Year –** Chloé Chambraud, Business in the Community
- **Fintech Champion of the Year (Funding) –** Susanne Chishti, FINTECH Circle
- **Accountant of the Year –** Lucianna Raffaini C Costa, Whirlpool UK Appliances
- **Rising Star of the Year –** Juliette Souliman, Octopus Ventures
- **Employer of the Year –** PwC
- **Fintech Champion of the Year (Open Innovation) –** Devie Mohan, Burnmark
- **Specialist Investor of the Year –** Anya Navidski, Voulez Capital
- **Diversity Initiative of the Year –** Julie Humphreys, AIG
- **Woman of the Year –** Miranda Brawn, The Miranda Brawn Diversity Leadership Foundation.


Anne Boden, Starling Bank

Call for EU cryptocurrency rules

French Finance Minister Bruno Le Mair has stated that France will not authorise the development of Facebook's planned digital currency, Libra.

According to Reuters, Le Mair told reporters at a meeting of European Union (EU) finance ministers in Helsinki that Libra could cause risks to consumers, financial stability and "the sovereignty of European states".

Le Mair called for the EU to create a "common framework" to govern the use of virtual currencies.

Putting a human face on banking

Financial services brands are increasingly choosing a more business to human (B2H) approach in their visual communications, according to new research.

The findings indicate that financial providers are attempting to connect with consumers on personal, human issues that resonate across a broad audience, says visual media specialist Getty Images.

Its global white paper, the 'Financial Services Visual Trends Report', found sector brands were increasingly seeking a human touch in visual communications, incorporating diversity, inclusion and authenticity into their output.

The research reviewed the visual strategies of some of the world's biggest financial services brands, as well as Getty Images' top-selling images and search data. Searches for terms such as 'belonging', 'inclusion' and 'disability' have risen across the industry in recent years, suggesting a desire to connect with consumers on values and on an emotional level, Getty says.

Institute agenda

Learn it, log it

The CPD year ends on 31 December 2019, so don't forget that it's your responsibility to undertake and record evidence of your CPD activities annually. This ensures that you maintain and can demonstrate your professional competence – performing a vital role in embedding and sustaining professional standards and maintaining trust in banking.

The Institute provides a wide range of CPD resources, which are continually being updated to meet the ever-changing environment in which we work and to support and nurture members' development. Resources can be accessed via the members' login area from the Institute's home page at www.charteredbanker.com.

Resources include the e-CC Toolkit, designed to enhance understanding of professionalism and ethics in banking, the e-CPD toolkit for leadership, management and personal development plus access to blogs, webinars and events.

The number of CPD hours you need to complete and record depends upon your membership status. Please see our CPD guide: Where will your career take you? (www.charteredbanker.com/membership/cpd) to find out what your requirements are.

Then log in to My Institute (www.charteredbanker.com) and click My CPD > CPD Logbook to update your record.

Members undertaking annual CPD activities are entitled to use the designations Chartered Banker, Associate Chartered Banker or Professional Mortgage Adviser as members of the Chartered Banker Institute, the only professional banking institute in the UK and the only body in the world able to confer the status of Chartered Banker to suitably qualified individuals.

First Foundation scholars announced

The 2025 Foundation was formally established at the end of 2016 in anticipation of the Institute's 150th anniversary in 2025. The Foundation aims to identify and support talented young people who wouldn't ordinarily have the opportunity to pursue a career in banking.

In collaboration with The Robertson Trust, we are delighted to announce our first scholars to receive assistance from the Foundation: Vincent Cardenio (Economics), Emma Dullaghan (Finance and Economics) and Anna Laskowska (Accountancy with Corporate Finance), who are due to begin their studies in October.

Certificate of Professionalism

In its recent Senior Managers and Certification Regime Banking Stocktake Report, the Financial Conduct Authority (FCA) made it clear that it will increase its focus on conduct rules. The report also contains praise for the sector in its efforts to embed the Individual Accountability regime and sees evidence that firms are engaging with its spirit, not just the rules. However there remains concern that, with regard to the Certification Regime, most firms cannot demonstrate the effectiveness of their assessment approach, or the ways in which they ensure consistency across differing populations.

We noted these as concerns in our early responses to the regime, highlighting that professional bodies, such as ours, already offer a positive approach to ensuring our objective and consistent verification.

Given the FCA's further concerns that there have not been significant changes to firms' performance assessment processes, other than to include expectations around behaviours, it is perhaps timely ahead of the performance review season to remind members that we offer a Certificate of Professionalism. This, in addition to evidence gathered internally, can attest to your personal commitment to a culture of customer-focused ethical professionalism and responsible, sustainable banking.

Eligible members can download their Certificate by logging in to the member homepage at www.charteredbanker.com

DID YOU KNOW?

Chartered Banker is recyclable

Following recent enquiries from members, we are pleased to confirm that the cover and inner pages of *Chartered Banker* magazine are fully recyclable. The paper is made using materials from well-managed and/or recycled sources, as certified by the Forest Stewardship Council (FSC).

The polywrap packaging used to post the magazine is also fully recyclable. Some councils will take this in their mixed recyclates bin but, where they don't, the material can be taken to collection points for plastic bags, which are available at many major supermarkets. We are currently considering alternative magazine wrappers including biodegradable, paper and compostable options.

Additionally, those who do not wish to receive a hard copy of the magazine will soon be able to change their contact preferences on the website to switch to just the online magazine, which is available to for all members to read or download from the Institute website. You can also download and save the magazine as a podcast.

EVENT:

Leadership Styles – Inspire your team to deliver exceptional results

Who needs to know about leadership styles? Anyone who wants to achieve exceptional performance through inspiring other people to willingly give their efforts to achieve important goals.

Great leadership is highly context-dependent; the best leaders are able to match their style to the situation. This interactive event will explore the core leadership styles that are distilled from a wide range of leadership models in the academic and business worlds, providing you with a framework from which to explore and find your own style.

This free event is hosted by Dr Sue Mitchell, international speaker, author of *The Authority Guide to Engaging your People* and director of award-winning leadership and executive coaching company Aeona.

Thursday 24 October 2019
Chartered Banker Institute, 38b Drumsheugh Gardens, Edinburgh, EH3 7SW
18:00 – 18:15 Registration
18:30 – 19:30 Event.

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

REMINDER:

Subscription changes

As reported in our summer edition, members attending this year's AGM approved increases to a number of subscription rates. The changes, which take effect from October 2019, are detailed below. Compared with other similar Chartered professional bodies, the Institute's subscription rates still represent exceptionally good value for money and we will continue to improve and enhance our membership offering.

Grade	Current subscription	New subscription (from Oct 2019)
Fellows	£200	£220
Members	£132	£145
Associates	£94	£103

Chartered Banker

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* 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

Play to your strengths

The pace of change is accelerating as disruptive trends multiply, creating a tsunami of societal, cultural and economic change. From the push of new technology to the pull of shifting customer expectations, agility, flexibility and responsiveness are the criteria that define industry success.

With the financial services sector touched by trends including globalisation, environmentalism, technology and data, we look at how the role of the banker is evolving in the face of intense and continuous disruption. We consider how the skills and characteristics needed to maximise opportunities in this new landscape are changing and what it will mean to be a professional banker in the future.

"Only people can drive innovation to help organisations adapt to the opportunities that technology presents."

SPECIAL REPORT

Reinvention and resilience

Innovations through time have seen the banking industry harness technology, reinvent itself and remain resilient.

From the first computer used in banking in the 1950s to the arrival of autoteller machines in the 1960s, new developments have long been viewed as a threat to banking and jobs.

But, so far, the sector and its professionals have proven resilient, with technology presenting itself as an opportunity rather than a threat. What can the industry learn from past successes in harnessing innovation and adapting to change?

"In the 1950s, the retail banks had to develop new strategies as companies stopped paying wages in cash," explains Natalie Staniewicz, Head of Digitalisation and Innovation at WSBI-ESBG, a global network of savings and retail banks with around 110 member organisations in some 80 countries worldwide.

"It has been about changing the nature of customer interaction with the bank."

Raman Bhatia, HSBC UK

"Banking transactions through the use of cheques was booming, which forced banks to find new and efficient instruments for cheque processing."

First computer

When Bank of America introduced the first computer used in banking in 1955, it reduced the time required to process cheques by 80%. It processed around 33,000 accounts in the time it would take an average bookkeeper to do 245.

Haim Israel, Head of Global Thematic Research, Bank of America Merrill Lynch, adds: "It handled, read and sorted a wide variety of paper cheques at high speed. It posted to accounts, identified stop payments and holds, flagged overdrafts, calculated service charges, stored account information, printed daily and monthly statements, and sorted 600 cheques per minute."

While humans no longer performed manual cheque processing, their skills were needed in other areas.

Staniewicz at WSBI-ESBG says: "Banks needed to reduce their operational costs through the introduction of technological innovations, mechanisation of the banking process and cheque-processing systems. At the same time, this created a need for more technically skilled personnel and investment in training of bank employees."

Technological revolution

The first appearance of cash dispensers in the 1960s also saw banks adapting to new technology and customer needs.

"Banks had to ride the wave of rising income, current account cross-selling and consumer credit," continues Staniewicz. "This was the start of a technological revolution. Computers were just making their appearance in the bank sector. Today, it's impossible to imagine a bank without a computer network."

Banks have always been 'voracious consumers' of technology and, in many cases, early adopters, says Raman Bhatia, Head of HSBC UK's Digital Bank.

"If you look at the use of mainframe computers in the Sixties and Seventies, banks were at the cutting edge of taking that tech mainstream," Bhatia says. "Thereafter, it was ATMs and telephone banking. Shortly afterwards, in fact, HSBC was one of the pioneers in setting up a branchless contact centre bank in first direct. So, banks have displayed tremendous flexibility and adaptability in embracing technology."

Changing models

Rather than threatening the industry, these innovations have offered new models of banking.

"It has been about changing the nature of customer interaction with the bank," Bhatia continues. "Mobile banking is now the preferred channel of interaction for customers in most markets in the world, particularly the UK. The next iteration of that is biometrics as a means of customer authentication and access."

Fingerprint and voice biometrics and face identification are again changing how customers can access their banking. HSBC has been at the forefront of this, Bhatia says, and has also announced the move to a cloud-based architecture designed to give it more flexibility in creating better customer experiences.

The bank is already using artificial intelligence in areas including fraud prevention and detection and is also experimenting on scaling chatbots as a means of customer interaction.

With Facebook, Google, Apple and other Big Tech moving into banking, there is no change to the role and function of banks as trusted partners in the financial services ecosystem, Bhatia adds. But complacency is not an option.

"In the 1950s, the retail banks had to develop new strategies as companies stopped paying wages in cash."

Natalie Staniewicz, WSBI-ESBG

He continues: "Banks have to up the bar on customer experience, go away from product-centricity and really think about customer needs – and then create experiences that rival or match that of new challengers, as well as Big Tech players.

"That has to be around making banking much more personal, relevant and contextual. And I think that's what we are trying to do."

New jobs

One of the reasons the banking industry has been resilient to technological innovation is because the products and services offered have continued to grow and develop, creating new jobs, according to professional services firm Accenture.

Alan McIntyre, Senior Managing Director for Banking, Accenture, New York, says: "Before Bank of America created Visa, no one had attempted to attach a general-use line of credit to a payment proposition. You could have a line of credit with a particular store, but the broad-based merchant acceptance of the Visa card created a whole new category – which then spawned cobranded credit cards, debit cards, rewards schemes, cashback and numerous other innovations that piggybacked on top.

"If the industry were static in terms of the services that it offered, it would be easier to automate away jobs. Broadly speaking, for every teller that is no longer needed to count cash, there is an app developer somewhere in Shoreditch working on the next big thing for one of the UK banks, or someone else worried about monitoring anti-money laundering for instant payments."

False negatives

Some past predictions have been wide of the mark. For example, Booz Allen Hamilton, the US management and IT consultancy, famously predicted that the last cheque would be written in the US sometime over a decade ago.

"The reality is that the dollar value of cheques written in the US last year actually increased," says McIntyre.

"The percentage of the US and UK populations that wants pure mobile banking with no call centre or branch backup is still quite small. Most millennials and Gen Zs, despite being digital natives, still want the option to talk to someone or visit a branch. So the worry that mobile apps would destroy traditional banking is over inflated." CB

SPECIAL REPORT

Back to the Future

In 2013, *Chartered Banker* ran a feature on what the banking industry might look like seven years down the line in 2020.

Many of the predictions shared by professionals across the industry were prescient, particularly on topics relating to technology. Some of our banking sector spokespeople from 2013 are now working with FinTech start-ups.

We caught up with some of the contributors to ask them how they feel about their predictions now.

DAVID MACKAY

THEN: Divisional Managing Director, North Division, Santander and Council Member of the Chartered Banker Institute.

NOW: Chairman at MetaCompliance, an innovative cybersecurity and compliance software provider.

2013 PREDICTION: KEEPING PACE
"Technology is continuing to evolve at a faster rate and consumers, especially those in Generations X and Y, will expect to see financial services evolve and keep pace with their way of life and how they want to interact with banks. Banks will need to become truly multi-channel companies as customers touch banks across all channels."

2019 RESPONSE: BEING HUMAN
"The digital world has progressed pretty much as expected. Many financial services customers are moving to multi-channel. However, there remains a strong demand for conversation and a need for explanation and understanding. Humans will continue to have a key role to play. In the next seven years, I will be interested to see how quickly the large techs and the many new digital players eat into the market share enjoyed by the major players."

ALAN FRAIN

THEN: Senior Director, Acquisition Finance, Lloyds Bank, Wholesale Banking and Markets and Chartered Banker MBA student.

NOW: Club Secretary at Peebles Golf Club.

2013 PREDICTION: REBUILDING TRUST
"Banks have much to do to rebuild their reputation for trust, integrity and probity. A cultural shift is required to move away from a short-term approach to sales targets and performance management, to a service model that puts the needs of the customer first. It is encouraging to note that several major banks are already reviewing their sales target and incentive schemes. Being a professional implies both a level of expertise and an ethical approach to customer service."

2019 RESPONSE: NEW RELATIONSHIPS
"Banks are working hard to restore trust with their customers but legacy issues are taking their time to go away. There is general recognition that pushing sales does not work in the long term and carries the risk of mis-selling. But it is interesting to note that the traditional customer relationship model is also changing due to the increasing use of digital technology. A growing number of customers are interacting directly with their bank via computer technology and the strength of the relationship will increasingly be benchmarked against the reliability and security of their online services."

SCOTT MOWBRAY

THEN: Head of Media Relations and External Affairs, Virgin Money.

NOW: Co-founder of new digital start-up, Snoop.

2013 PREDICTION: REVOLUTIONARY CHANGE
"Technology has already revolutionised the way customers can manage their money, with 24/7 access to their accounts through computers and mobile phones. As technology continues to advance, customers will expect their bank to offer new services in line with this. A recent survey by the Payments Council showed that people see their mobile phone as being an increasingly important tool for their finances in the future, with 70% expecting to be able to use their phone to make a payment by 2025."

2019 RESPONSE: WHAT'S NEXT?
"I'm glad to see I was 100% correct with my prediction back in 2013. By 2025 we'll know for sure. As always, the interesting thing is what's next? The answer is likely to be an explosion of innovation, creativity and competition as a result of Open Banking. I expect this to be truly transformational for both customers and the sector. It will put customers firmly in control and enable forward-thinking FinTechs to come up with new products and services aimed at making managing money easier, better and more rewarding. Snoop is looking forward to playing a strong part in that once launched in 2020." CB

SPECIAL REPORT

Skills for success

In this issue's Open Mic feature, industry professionals explore sought-after banking skills and why the future post-2025 will still be human.

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1. What are the most sought-after skills in banking today – and how has this changed during your career?

DAVID MAY, RBS
"Over the past 20 years, banking has seen a transformation in the way customers want to interact. We know that customers appreciate the speed and convenience of digital banking for everyday transactions, but when it comes to making bigger, more complex decisions, they truly value the skills and experience of our highly professional colleagues. As such, consultancy skills are essential to ensure we're gaining a good understanding of our customers' needs, to guide and empower them to make better decisions."

DANNY HARMER, Metro Bank
"At Metro Bank, we are looking for people who can focus their skills and expertise on great customer outcomes. For our entry-level colleagues in customer-facing roles, the right attitude is key. We can train people to be bankers and offer all our advisers a career path, which includes the Chartered Banker Certificate and Diploma. Banking has definitely become more complex and technical, with tighter regulation and more channels, including digital. So people with the skills that underpin those areas are more in demand now."

DAVID ROBERTS, TSB
"There is no question that expertise in a specialist area is still a sought-after skill, but I would argue that the most important skills are ones that have been around for decades. These include networking skills, to know who your best contacts are to generate business and deliver projects. Calmness under pressure is still crucial across all aspects of business lives and it's a skill that we can all benefit from."

GEORGINA BULKELEY, RBS
"For me, the things I think about as being key success factors are:

- Mental agility. Not just intellect, but being able to flex your thinking and be open to new ideas;
- The ability to connect with others; and
- The ability to imagine the future."

JEN TIPPIN, Lloyds Banking Group
"We have identified 10 key skills that we believe will be needed to help build and run the bank of the future. These include skills that we have always looked for, such as great customer service skills and relationship management skills alongside newer skills such as innovation and agile change.

SPECIAL REPORT

"We know that the pace of our customers' adoption of new digital channels is resulting in a much larger demand for architecture, human-centred design and engineering skills to help us build new digital propositions, alongside cybersecurity skills to help keep our customers safe.

"We also believe that great data skills will be key, from data insight and analysis right the way through to data science skills, with the latter helping us to think through how we leverage artificial intelligence (AI) and robotics to better support customers and clients. Above all else though, and this hasn't changed during my career, is the need for great leadership skills."

2. How has the role that you perform changed and what do you expect to happen over the next five years?

DAVID MAY, RBS
"HR is transforming from having a transactional relationship with the business to being a strategic partner. The introduction of digital technologies such as chatbots and automation has freed up capacity for more complex and strategic thinking. Moving forward, we will continue to leverage digital to make life easier for our people, to use data and insight to make decisions, and continue to facilitate valuable connections with the business."

PATRICK CONNOLLY APFS CFP, Chase de Vere
"The introduction of the Retail Distribution Review at the beginning of 2013 vastly improved the professionalism of the financial advice industry. This resulted in higher qualification benchmarks, greater transparency on charges and a move from commission-based remuneration to fees. Advisers today are more focused on doing what is right for their clients rather than trying to sell them a product.

"Technology is playing an ever-increasing role, for example online valuations are now a standard part of most advice propositions. We've also seen an increasing number of robo-advice services, where a computer effectively provides the advice.

"While this part of the market should grow, these services are restricted and most suitable for those with basic requirements. Many other people will still want to receive advice about their finances from a real-life human being."

DANNY HARMER, Metro Bank
"When I joined Metro Bank in 2012, we had around 300 colleagues. We now have around 3,900, so my role has grown with the business, and we're continuing to grow still.

"Use of technology in HR is creating new opportunities, from recruitment to learning. For example, we can use a mix of technology and face-to-face interaction to improve the learning experience for colleagues – so they can pull on learning at a time and place that suits them, even on a mobile device. And applicant tracking systems [recruitment systems] are able to do much of the heavy lifting in recruitment processes now.

"There's also much better focus on data – both within companies to inform rigorous commercial decision-making – and also on external reporting requirements for all companies. For example, the Gender Pay Gap Report, CEO Pay Ratio statistics and diversity data."

DAVID ROBERTS, TSB
"My role is currently in project management and agile delivery is the new fashion that everyone wants to adopt. This has caused a change in role terminology and role specifics –but it's fair to say that there are still many miles to go and words to be written before it is widely accepted. In five years' time, I expect this to be a larger part of project delivery than now, as the cost benefits move from theory to reality."

GEORGINA BULKELEY, RBS
"It sounds simple but the reality is we aren't wired to sit comfortably with ambiguity and possible future scenarios, and we all naturally seek answers to questions. We need to create an environment where we can look at things from a variety of perspectives and take the time to really understand the need we are meeting or the problem we are solving, and accept that there may not be one right or wrong answer.

"I think banking roles will continue to put the customer front and centre and will evolve to serve customers in a way that works for their lives. We have already seen an explosion in digital banking. We've recently launched a pilot enabling customers to do their banking through their Google Home smart speaker or smartphone and I think we will continue to see banking evolve to be in the flow of customers' lives and to interact with them in a way that works for them."

> **"There are human skills – such as communication, empathy, curiosity and creativity – that cannot be replaced."**
>
> Raman Bhatia,
> HSBC UK

JEN TIPPIN, Lloyds Banking Group
"The pace has certainly changed for the problems we are trying to solve, however, there is still a need for highly skilled professionals to develop, use and continually improve great people products and services that collectively deliver a great employee experience."

DAVID MACKAY, MetaCompliance
"I ask myself: 'Will the skills that helped people be successful in the past be those they need in the future?' It may be my personal experience, but I would vote for more emphasis on the softer skills. Let's assume, of course, that specialisms and specific training will continue to be crucial – the things we learn and the hard skills we develop. I think you get a different answer depending on which industry you are in.

"Everyone will need more tech capability in varying degrees. But being able to develop relationships, work in teams, solve problems, listen well and have perspectives from others' shoes are skills that help people get results through and with others. If you are working with robots with advanced AI, then perhaps you will need these too. What if we do such a good job of AI that in the future we will have as many disengaged robot employees as human ones? A bit off-the-wall – but you never know!"

3. What can you do better than a robot?

RAMAN BHATIA, HSBC UK
"Technology is evolving at speed with innovations that are changing the way we work, helping us build a bank for the future that will better understand and serve our customers. While machines will continue to take on robotic processes, there are human skills – such as communication, empathy, curiosity and creativity – that cannot be replaced.

"Only people can drive innovation to help organisations adapt to the opportunities that technology presents – be it regulation, competition, cyberthreats, coupled with rapidly changing customer behaviours and increasing expectations.

"The challenge is to embrace the right technology and solutions that give us the edge. Taking the best technology and combining it with the best skills of our people will be the difference between good and great when it comes to customer experience in the banking industry. As more of our interactions are digitised, rich, human interactions, with partners and customers, will have even greater value."

DAVID MAY, RBS
"Imagination and story-telling, strategic thinking, empathy – humans still, and always will, bring a huge amount of value. We need to ensure we understand and interact with AI in the most effective way – that's key."

"Humans are able to understand each other in a way that robots are unlikely to achieve any time soon – if at all."
Theodoros Aspiotis

DANNY HARMER, Metro Bank
"Be human – vital for any leader."

THEODOROS ASPIOTIS, Personal Banker, Lawyer LLM
"Digitalisation is reshaping the banking industry, creating an imperative for rapid implementation of the new financial technologies. Nowadays, people execute transactions using their mobile devices, computers or, in general, without human intervention. As a result, the shift from traditional banking means professional skills such as 'change ready' and 'improver-innovator' are in demand in the banking industry. Today, a personal banker needs enhanced IT skills to use technology and digital tools effectively and to adapt well to change. However, a human can't totally be replaced by a machine. Empathy and communication can't be easily performed by a robot. Humans are able to understand each other in a way that robots are unlikely to achieve any time soon – if at all."

JEN TIPPIN, Lloyds Banking Group
"We are embracing change and we believe that, while machines can do the ordinary, people can really do the extraordinary. As good as robots are, they will not become a trusted adviser on important people matters to a senior leader and they are unlikely to be able to work with a business area to develop and deliver an effective people strategy.

"Robots can automate some processes, but they will not be able to pick up crucial nuances – in particular, people issues – and handle them sensitively. They also wouldn't be able to effectively mediate a dispute.

"I look forward to the use of robotics in banking, because it will provide those working in human resources with the capacity to do the work that really makes a difference. But the ability to develop, use and continually improve great people products will remain the preserve of skilled and experienced HR professionals." CB

SPECIAL REPORT

Fighting for tomorrow's talent

Banking is not prepared for the disruption that is changing skill sets, finds the UK's Financial Services Skills Taskforce.

Three 'megatrends' are driving huge change in the banking sector – and the shape of its future skills needs – according to the UK government's Financial Services Skills Taskforce.

They are technology and data, globalisation, and demographics.

"These trends are disrupting financial services businesses, changing, among other things, the skills needed to run those businesses and the aspirations of those who work in them," says Mark Hoban, Chair of the Financial Services Skills Taskforce, which was launched last year to ensure the UK's financial services skills base remains world-leading.

"They pose potentially existential challenges to our sector," Hoban adds in the foreword to the Taskforce's first interim report, published in June.

The Taskforce's full report this autumn aims to set out a roadmap for the sector with support from government and the broader education sector, to tackle the challenges posed by technological and social change.

Simon Thompson, Chief Executive, the Chartered Banker Institute, is one of 24 members of the Taskforce, alongside Simon Culhane, Chief Executive of the Chartered Institute of Securities & Investments, and Sian Fisher, Chief Executive of the Chartered Insurance Institute. Together, the three bodies form the Chartered Body Alliance, which was established in 2017 to promote professionalism in financial services. Building skills for the future is a key focus of the Alliance, which represents 200,000 industry professionals.

Future skills

Reflecting on what being a professional banker might mean by 2025, the Institute's 150th anniversary year, Thompson says: "Professional bankers today still need to be experts in credit, risk, regulation and banking operations. We expect all bankers, whether they're members of the Institute or not, to have an understanding of professional ethics and of the social purpose of banking.

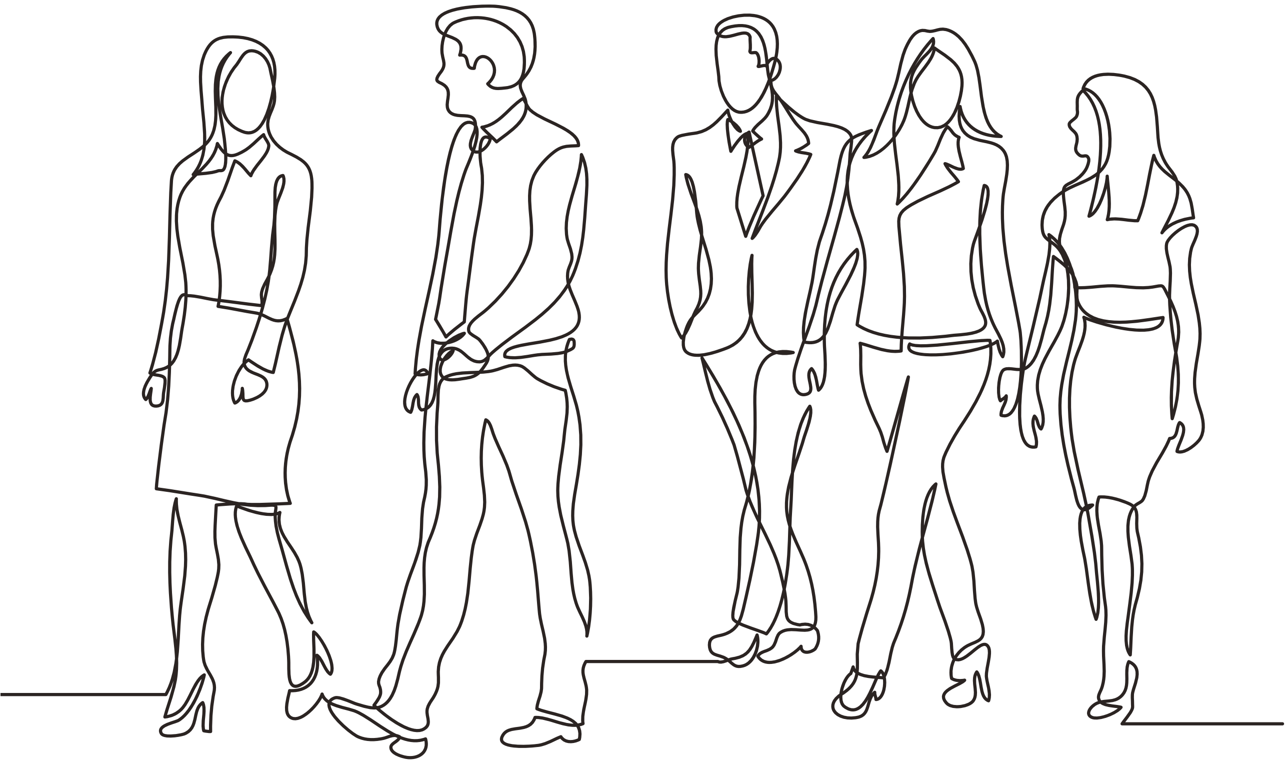
"But we will now also expect professional bankers to have expertise in data skills, so data analysis and data presentation. And in working with technology and working with technologists. There will be perhaps a class of bankers from a tech background who are technologists first – the people who actually build the apps, code the systems and design the algorithms. But then there will still, in the future, be many roles in banks that involve working with technology.

"They may not require somebody to have those deep technology skills, but to understand enough to be able to work with technologies and interrogate systems. To train algorithms, look at the outputs and see whether they're consistent with delivering positive outcomes for customers – for example, by avoiding the unconscious bias that can be built into artificial intelligence."

Talent war

With every other player in the digital economy looking for exactly the same skills, including the so-called 'FAANGs' – Facebook, Apple, Amazon, Netflix and Google – there is a war for talent that the banks will have to work hard to win.

> **"Young tech talent does not see financial services as a destination of choice."**
>
> Simon Thompson, the Chartered Banker Institute



“As an industry, we need to think about integrating and engaging different talent – as well as non-human options.”

David May, RBS

“Banks are fighting for an increasing number of the millennial generation, many of whom would perhaps rather go to work for a Big Tech company than a big bank,” Thompson continues.

“That kind of young tech talent does not see financial services as a destination of choice. Millennials are attracted to purpose-led organisations that can demonstrate they’re making a difference in the world. While large financial services companies are still perceived as having a trust problem, a FinTech that’s promising to change the way banking is done can seem very attractive. One of the ways this could be accounted for is by banks rediscovering their sense of social purpose through things such as green and sustainable finance.”

A bigger challenge for the sector, Thompson believes, is the reskilling and upskilling of colleagues who are currently in banking roles that will change over time.

“Current colleagues in the banks need to become competent users of technology and learn new skills in areas such as data analysis and presentation,” he adds.

Trust and training

The interim report from the Financial Services Skills Taskforce acknowledges that declining trust in, and attractiveness of, the sector makes it harder to compete for skills. Investment in learning is also “insufficient and less effective than it could be”, the Taskforce says. Department of Education figures from 2017 show financial services had the third lowest training spend per employee of any sector.

Recruitment and a reliance on migrant talent are insufficient to close the growing skills gaps, as are emerging talent paths. Workforce diversity and regionality is also lacking.

Royal Bank of Scotland says it is committed to investing in individuals and giving them the opportunities and time to become a banker of the future – whether that is inside the bank or elsewhere.

David May, Director of Learning and Development, RBS, and Chair of the Chartered Banker Institute’s Membership Forum, says: “A key part of our preparation is to ensure a continuous development culture across

SPECIAL REPORT

the organisation, providing excellent training, and hiring people with the agility to learn, flex and adapt to customer needs."

Success is increasingly dependent on deep expertise, he adds.

"We know that our people will need to develop both breadth and depth of skills for the future – a core set of transferable skills will enable mobility across the organisation and profession, alongside technical skills that will drive us forward and keep us competitive.

> **"Everyone across the sector must respond to the consequences of these megatrends."**
>
> Mark Hoban, Financial Services Skills Taskforce

"We have defined key capabilities for the future, including professional credibility and bringing the outside in. The role of a banker is moving from a relationship manager, to a trusted adviser who understands their customers' long-term needs and uses insights and expertise to anticipate and solve customer needs before they arise."

Reskilling and upskilling

The rapid pace of change in jobs and skills means there is growing demand to update skills, May continues.

"Research suggests that the half-life of a job skill is about six years – meaning that every six years, that skill is about half as valuable as it was before," he says. "We recognise and will be preparing for the fact that we need to support our people to understand their strengths and development areas, and both upskill and reskill a percentage of our workforce, as well as better leverage teams and partnerships to fill capability gaps."

The Taskforce calls for a "system-wide" response to the skills crisis, and a fundamental shift in how the industry invests in its people.

It believes the industry's biggest asset is the 1.1 million people who already work in the sector, but that no one firm can solve the skills challenges alone.

Mark Hoban, Taskforce Chair, says: "Everyone across the sector must respond to the consequences of these megatrends if it is to continue to serve our communities and remain globally pre-eminent. As our sector digitises, our people will need new skills to deliver these services. The most successful, wherever they are in the business, will combine digital awareness with great people skills.

"Structures rooted in the past will be replaced with new and different approaches and teams. Location will be less important, whether you are recruiting staff or looking for a new employer. Traditional models of businesses, jobs and skills will have to change if we are to continue to be successful."

Collaborative action

Specific deliverables that could help achieve this system-wide transformation include a strategic focus on reskilling in companies and across the sector – and 'high impact multilateral partnerships' with education providers including universities and colleges. Centres of excellence or specialisation in regions could help provide the specific, cutting-edge expertise the sector requires. There should be co-ordinated and detailed forecasting on future skill requirements and collaboration to develop common standards on diversity and training.

David May, RBS, responds: "The industry can continue to build strong external partnerships and support innovation and new business. Our focus continues to be on building a bank that delivers for customers, shareholders and the success of the UK economy.

"For human resources professionals, it's critical to look across the whole employee life cycle. It can't just be about bringing new talent in – and it's not just about permanent employees. As an industry, we need to think about integrating and engaging different talent – as well as non-human options." CB

SPECIAL REPORT

Technology meets humanity

Talent, trust and the human touch will remain key to meeting customer expectations as technology transforms financial services.

Technology is revolutionising banking and financial services. But it is people – not machines – that are key to understanding customers' needs and driving organisational transformation.

This is the central premise of PwC's 22nd Annual Global CEO Survey, which explores why banking and capital markets transformation is all about people.

"Technology alone can't meet customer expectations; consumers still value human interaction and accountability," says Alan Gemes, Senior Partner at Strategy&, PwC's strategy consulting business.

"Technology should be used to handle routine transactions and interactions so your employees have more time to serve customers directly. It's also important to ensure that employees understand the incoming technology so they can judge how to use it in customers' best interests – for example, using mobile capabilities to encourage saving, rather than to simply reduce operating costs."

Meeting more exacting customer expectations requires human collaboration with, rather than replacement by, machines, PwC says. People – not systems – drive innovation and help realise its full commercial potential.

"For instance, millennials working in FinTech are drawing on their personal experiences—such as difficulties in saving enough for a deposit on a home or attracting funding for new business ideas when they have little or no credit record — to develop new banking capabilities that include spending tracking and analysis apps to help individuals reach specific financial goals," Gemes says.

Human touch

The need to train artificial intelligence (AI) to understand and respond to human interactions and nuanced demands is going to make this ability to relate to real lives ever more important. And as more operations become automated, the innately human capabilities that can't be replicated by machines, such as creativity, empathy and leadership, are becoming even more of a differentiator.

"For example, the growing importance of delivering financial wellness as a key customer outcome and strategic goal underlines the value of empathy," Gemes continues. Further need for the human touch would include judging how technology can be deployed in the best interests of customers and wider society.

However, unfettered use of AI and client data could have unintended and reputationally damaging consequences. The big risk for businesses is that the necessary talent isn't there, or that employees don't know how to use technology in a sufficiently trusted, effective or meaningful way. Skills are the top business concern for UK business leaders, with 79% of respondents to PwC's survey worried about having the right skills available in their organisations.

> **"Technology alone can't meet customer expectations."**
> Alan Gemes, PwC

The firm found organisations were struggling to translate a deluge of data into better decision-making, with a shortage of skilled talent to clean, integrate, and extract value from big data and move beyond baby steps toward AI, it said.

"Organisations must work harder to identify, nurture and retain the right skills for the continually evolving digital age," Gemes says. "Business needs to lead the charge, preparing and adopting AI technology and looking beyond recruitment, to training the workforce of the future.

"This is a chance for UK business to demonstrate its positive role in society, working with government and education providers," Gemes adds. "New tech apprenticeships are a great example of this starting to happen." CB

BUSINESS BANKING

Business banking goes digital

With a digital revolution under way in business banking, traditional players are reviewing and renewing their offerings.

Digital-only players are transforming the business banking scene. Coconut, Tide, Revolut and Countingup are among a host of new FinTechs offering online business accounts that combine banking and accounting functions. Monzo also started developing a new business account this year, while Starling Bank stepped up its business banking offer with the launch of multi-owner accounts.

Josh Greenway, a former winner of the Chartered Banker Institute's Young Banker of the Year competition, launched business finance comparison platform BIZL in 2017 and says digital platforms like his respond to customer demand for speed and convenience.

"At BIZL we're building a digital marketplace solution fit for a digital age," Greenway says. "It aligns with how customers are increasingly expecting to be served and gives unprecedented access to lenders across the market. We're building from the ground up, rolling out functionality that meets today's needs, not yesterday's. We're also able to build everything with efficiency in mind – using Open Banking, automation and artificial intelligence, not long forms, in-trays and expensive staff."

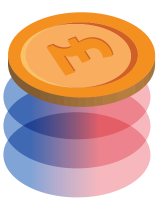
This gives digital players an edge and the potential for exponential growth, Greenway believes. Traditional banks, on the other hand, still lead in acquiring new customers.

"We are very aware of the challenge of customer acquisition in the SME market, and this is where banks currently have the market cornered," Greenway says. "This is why collaboration between FinTechs and banks has so much potential."

Carrot and stick

With the four largest banks still controlling 80% of current accounts, is the industry doing enough to promote competition in SME lending?

"There is a huge wave of regulatory pressure pushing for more competition," Greenway continues. "This is fantastic, but there needs to be commercial benefit on all sides before we see any real change.



"Open Banking, for example, paves the way for better competition. It's a start, but banks participate because they have to. And they do the bare minimum. If there was a commercial benefit to participation, then they'd be a bit more enthusiastic."

There is also the Bank Referral Scheme, where the main banks are required to signpost SME borrowers they can't help to alternative providers. This has been "underwhelming", Greenway says, with only 900 loans completed.

"There needs to be a carrot and a stick – maybe performance-based rewards for good behaviour, and penalties for bad behaviour," he adds. "Beyond this, a lot is being done to incentivise innovation from the FinTech community – let's have more of this. We need to see more innovative, commercially focused collaboration between banks and FinTechs. And we need better eligibility tools from lenders, including transparency on policy and pricing."

Digital innovation

Starling Bank is committed to making £913m of additional lending available to SMEs by the end of 2023 and in July launched multi-owner accounts for businesses with more than one person of significant control. It follows the launch in March 2018 of Starling's mobile business bank account for single-person businesses, which now has almost 60,000 customers.

Alexandra Frean, Head of Corporate Affairs, Starling Bank, says: "The industry has to find new ways of

> **"The industry has to find new ways of lending that are more attractive to SMEs."**
>
> Alexandra Frean, Starling Bank

lending that are more attractive to SMEs and that take advantage of digital technology."

In February this year, Metro Bank, Starling Bank and ClearBank were awarded £120m, £100m and £60m respectively from the Banking Competition Remedies Competition and Innovation Fund. This was set up in 2017 by the UK government and European Commission to promote competition in the SME banking market following the state-funded bailout of RBS.

"With the £100m grant we received from the Banking Competition Remedies Competition and Innovation Fund, we are building a suite of lending products using automated and secure processes that will deliver loans in minutes," Frean explains.

Being a new entrant unburdened by legacy systems has been a definite advantage for Starling. For example, not needing to impose charges that are then used to subsidise loss-making current accounts.

"We don't need to do this because we have a very low cost-base with no branch networks or legacy systems to maintain," Frean says. "It means we can concentrate on providing a great user experience, while at the same time offering a marketplace in the app that connects customers directly with a range of third-party services, such as accounting software, insurance and, soon, lending."

Starling's mobile business banking app also offers spending insights and real-time transaction notifications. Future developments include digitally enabled relationship management services enabling the bank to offer video calls with subject specialists.

New services

According to retail payments authority Pay.UK, almost 18,000 businesses switched bank account providers in the second quarter of 2019, compared with 8,000 in the same three-month period in 2018.

Traditional banks are responding with new services and offers. NatWest has launched its own digital bank, Mettle, while Santander has launched a new 1|2|3 Business Current Account for SMEs. Nationwide is also launching a new business banking current account.

In the first half of 2020, Virgin Money plans to introduce a new branded business bank that combines FinTech and traditional banking features. Online and mobile services for businesses will include digital account opening, money management tools, new fully automated lending and other services such as accountancy and tax management.

> **"We need to see more innovative, commercially focused collaboration between banks and FinTechs."**
>
> Josh Greenway, BIZL

Digital services will be backed by expert advice available online, by phone and in branch – with a network of more than 300 relationship managers in 40 business banking centres supporting SMEs.

"Business banking available nationally, including in Virgin Money stores for the first time, significantly increases the number of businesses that can be served," the company says.

"Virgin Money has a clear goal – to rank in the top three Competition and Markets Authority service quality ranking [how banks are ranked for quality of service] for business customers. Another clear aim is to increase our business current account market share from around 3.5% to 5%."

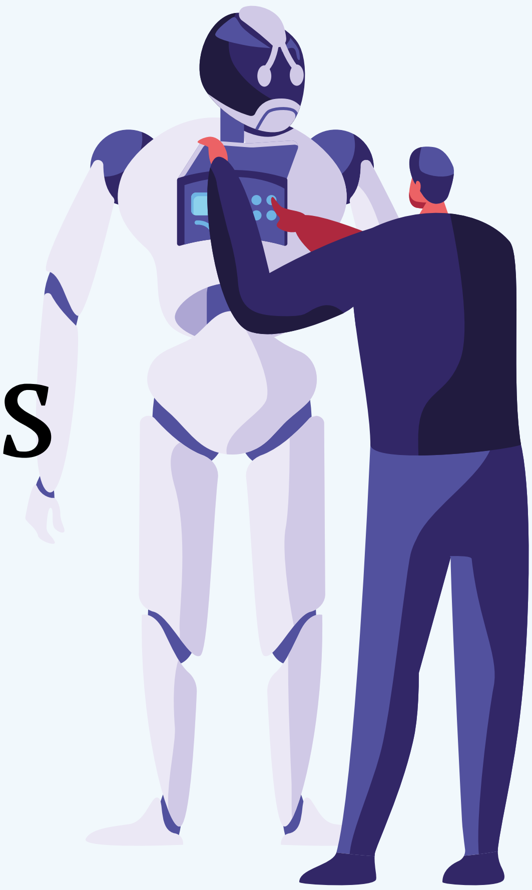
The company revealed the news at the same time as announcing that it was rebranding Clydesdale and Yorkshire Bank and digital brand B to Virgin Money.

David Duffy, CEO, Virgin Money, says: "Banking is changing at an unprecedented rate. Consumers are using new technology in every part of their lives. With amazing customer experiences available in other industries, they are rightly demanding so much more from their banks.

"Our plan for the new Virgin Money means that for the first time there will be a major disruptor that can serve the whole of the UK, combining the very best technology with a great personal service and an absolute focus on being a customer champion. We're looking to reinvent the role a bank plays in people's lives." CB

AI AND GOVERNANCE

Managing the machines



Machines are now making so many data decisions that boards and regulators must get to grips with governance.

Firms regulated by the Bank of England (BoE) are taking a "strategic but cautious" approach to artificial intelligence (AI) implementation, according to a study on AI and machine learning adoption from the BoE and the Financial Conduct Authority (FCA).

Indicative results of the survey revealed 80% of BoE-regulated firms are now using machine learning in some form, with many already in the process of building the infrastructure necessary for larger-scale AI deployment. As the capabilities and presence of AI-based systems continue to grow, governance will be key in ensuring that projects are managed ethically, safely and lawfully.

"As any statistician knows, the output of a model is only as good as the quality of data fed into it – the so-called 'rubbish in, rubbish out' problem," said James Proudman, at the time the Executive Director of UK Deposit Takers Supervision of the Bank of England, at the Financial Conduct Authority Conference on Governance in Banking in June 2019.

As well as ensuring that data is properly used, modelled and tested, there needs to be oversight of the humans involved in designing and training AI systems, to avoid unintended bias being built into statistical models.

Boards must also make sure the right skills and controls are in place to cope with the accelerating pace of change.

"The transition to greater artificial intelligence/machine learning-centric ways of working is a significant undertaking with major risks and costs arising from changes in processes, systems, technology, data handling/management, third-party outsourcing and skills," Proudman said.

> **"Too many fear the technology and leave it to others or, worse, just hope it goes away."**
>
> Philippa Foster Back,
> Institute of Business Ethics

Ethical banking

Philippa Foster Back CBE, Director of the Institute of Business Ethics, a registered charity that promotes high standards of business behaviour based on ethical values, says: "The banks are already using AI quite extensively, for instance some use it in developing robo-advice for internet users of their services.

"The interesting development is using it for customers buying financial products. This area could become a problem for the banks, and some fear a future mis-selling issue – or possibly better phrased as mis-buying. How will the bank identify in the future exactly what the offer was when taken up by a customer, if through machine learning the next offer five to 10 minutes later has been tweaked? How can this type of situation be regulated?"

It is vital that boards recognise that AI and machine learning are all features of the bank's risk profile and need to be 'governed' as such.

"Too many fear the technology and leave it to others or, worse, just hope it goes away, rather than face the risk issues AI and machine learning pose," Foster Back says.

Parameters must be set, with special care taken to ensure there is no bias written into, or unintended consequences arising from, programmes that use algorithms.

"This means thorough testing of the models needs to be undertaken," Foster Back continues. "The project team probably needs to be set up more carefully with the product regularly tested. There have been many reported instances of wrongful algorithms being developed with severe unintended consequences arising as a result."

Managing risk

By collating data and understanding customer behaviour, AI can help banks improve their offering to customers. But currently there is more focus on the risks than the benefits.

"The challenges lie in the lack of public debate about AI and machine learning, which has led many to be wary of it, and therefore not trusting the bank's use of it," Foster Back explains. "This will hamper take-up, but probably not the banks' use of AI. It is a useful way to develop and show creativity for customers, and rationalise internal processes."

For bank functions such as lending, unintended bias built into machine learning models is a particular risk, says Daniel Faggella, an artificial intelligence expert who advises institutions including the United Nations, World Bank and INTERPOL.

"Lending is a big bright light in terms of governance considerations, because there are real risks there with rough legal consequences," explains Faggella, Founder and Chief Executive of AI specialist Emerj Artificial Intelligence Research. "For example, if you live in a certain zip or postal code and drive a certain kind of car, there might be an 80% chance that I know your ethnicity, because I'm using a robust machine learning method that is using certain factors about you as a form of stand-in or proxy data. So, legally, whether I intended to or not, I might be coaxing out one ethnicity or one gender over another – from data that maybe never intended to do this."

Compliance and fraud departments must also be completely sure that their AI systems are harvesting and analysing data correctly.

"In areas such as compliance or fraud, we might be using AI to prevent money laundering and to prove in a very granular way that we are hunting down the stuff we are legally required to with a fine-tooth comb," Faggella says. "But if we're using a machine learning system where we're not exactly sure what data it's coaxing out or how it's categorising that data, we may not be able to prove that we are doing the necessary due diligence to stay in line with compliance and regulation."

Training data

To address these governance risks, banks should carefully plan the front-end design and back-end operation phases of AI projects.

"In the initial strategy conversation, we need to have a sense of where and when we're using AI," Faggella continues. "So if a system statistical engineer is making decisions, making judgements and automating processes – we need to ask, which parts of this might violate our company values and which parts might violate laws

and regulations. As long as that's part of the initial brainstorming process, then we can determine what we need to do upfront about it. In other words, maybe we'll decide that our statistical models should not include zip or postal codes, or we'll determine that our system for screening out resumés should not include this data or that data."

Once a system is up and running, one of the key risks is a skewing of data known as 'algorithmic drift'.

"This implies that a statistical model fed on certain data, producing certain outcomes, might over time gradually emphasise some data points more than others. Sometimes that means it's getting more accurate – but sometimes it doesn't. It can also mean that it's starting to home in on individual data points that might be violating our values or regulations. That might be something we want to watch out for."

Faggella singles out anomaly detection – for example, differentiating normal payments from fraudulent ones, using statistical models based on millions of payments – as the key selling point that AI delivers to the banking industry.

"This is the low-hanging fruit for fraud, compliance and cyber," he says. "It helps reduce risks and the value it can deliver is tremendously near-term." CB

"For bank functions such as lending, unintended bias built into machine learning models is a particular risk."

Daniel Faggella,
Emerj

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THE DAVIDSON COLUMN

Investing in people

Firms and employees must work together to equip themselves with the technological and emotional skills needed to thrive tomorrow, says Mark Hoban, Chair of the Financial Services Skills Taskforce.

Globalisation, changing demographics and technology are major forces disrupting traditional ways of working in our sector. Globalisation gives the AI specialist in Bristol the choice of working for a local firm or commuting virtually to an office in New York or Singapore to work the hours that suit him or her. Meanwhile, demographic trends are extending our professional lives and driving new ways of working. Technology continues to transform the ways in which we bank, with emerging technologies redefining the skill sets firms need to deliver their products and services.

These trends present a real challenge to our future and firms have to transform to survive. While start-ups lack the heritage of long-established banks, they are also free from costly, clunky legacy systems. Technology firms can branch out from social media into digital currencies. To survive, incumbents must undergo a digital transformation, but this must go hand in hand with workforce transformation.

It was against this backdrop that the government asked me to lead a taskforce looking at the skills in the financial services sector. While the initial brief was to examine how we recruit people with the very highest levels of skills, the taskforce has developed a much wider scope. As colleagues on the Taskforce from the Chartered Banker Institute, Barclays, HSBC, Lloyds and Santander made clear, the sheer scale of the transformation requires us to invest in the biggest asset our firms have: the 1.1 million people who already work in them.

So what does digital transformation mean for our people? As technology impacts roles, then the boundaries between them will blur. We will no longer be able to separate technologists and non-technologists: the difference will not be binary but one of degree. As more work is automated, then more time can be spent on problem solving, customer relationships and advice. Yes, everyone will need a strong foundation of technological knowledge, but good behavioural traits will be equally valuable – empathy, collaboration and creativity. Career progression will require technological and emotional literacy. The goal for firms is a transformed workforce with these new skills. Reskilling is therefore a priority in every branch, call centre, head office and back office in the regions and nations of our country.

While our goal is clear, the path to it is unclear. We have seen some great examples of how people are being reskilled, but the collective effort falls far short of that needed for a system-wide transformation. Of all the sectors in the UK economy, financial services has the third-lowest spending per head on training. We are one of only two sectors that have seen an increase in its skills gap. The demand for talent is great yet our recruitment and retention practices mean that we do not attract and develop the widest pool of talent. So not only are we not doing enough to reskill our workforce, we are not sufficiently attractive to the next generation of talent either.

“Not only are we not doing enough to reskill our workforce, we are not sufficiently attractive to the next generation of talent.”

But this is not just a problem for employers. As our working lives extend, we cannot assume that the skills we learnt at school, college or university will see us through a career that might end when we are in our 70s. Our people will need to co-invest alongside their employers to equip themselves for the future.

The Taskforce will present its recommendations later this year, but its members are confident that we need a system-wide response, a clear understanding of the technical and behavioural competencies for a transformed industry and better pathways for the acquisition of these skills for the existing workforce and new recruits.

We need to build more varied routes into the sector, such as encouraging school leavers to consider the financial services sector and creating apprenticeships, so we can tap into and compete for the widest pools of talent. This might sound simple, but it presents a radical shift from our current position. And the approach needs to be radical because of the scale of the challenge that we face. CB

MINI REPORT: **SOCIAL MOBILITY**

Supporting social mobility

Work is under way across the industry to help people from diverse backgrounds pursue a career in banking.

Improving social mobility into, and within, occupations seen as 'elite' is a key policy objective of all Britain's main political parties – and is rapidly climbing up the agenda in financial services.

Removing barriers to careers in banking would increase workforce diversity and provide vital talent at a time when competition for skills is fierce. But progress is slow.

A study from professional services firm KPMG earlier this year found that finance workers were three times as likely to have parents in the same sector than other types of jobs. And only seven financial firms made the Top 50 in the Social Mobility Employer Index last year, a key benchmark of social mobility in Britain.

According to research by The Sutton Trust, a social mobility charity that supports 5,000 high-attaining young people each year through educational programmes, more than half of financial services leaders are privately educated, compared with 7% of the school population.

"As one of the UK's most sought-after industries, banking and finance is inevitably a competitive sector to break into," says Laura Bruce, Head of Programmes at The Sutton Trust. "While there is much positive work being done by firms to diversify and reflect all aspects of society in recruitment practices, there is still much more to be done to increase social mobility and diversify the workforce."

> **"For disadvantaged young people, the visibility and accessibility of opportunities is extremely important."**
>
> Michaela Wright, HSBC UK

Improving access

In partnership with Deutsche Bank and other supporters across financial services, The Sutton Trust launched its Pathways to Banking & Finance programme in 2017 to address barriers to entry.

"The two-year programme has so far supported 200 sixth-form-age students from less advantaged backgrounds in exploring the banking sector as a career, through real-life work experience placements, networking events, skill-sharing days, e-mentoring and residential conferences," Bruce explains.

"The programme continues to receive excellent feedback, with work experience placements often cited as among the most impactful parts of the programme for both students and staff. One of the key lessons of the programme is that sector-wide collaboration is crucial in improving social mobility and something we need to see more of if we are to shift the dial in improving access to the banking and finance sector."

Bank of America Merrill Lynch also supports the Trust's US Programme, which has given nearly 1,000 students the chance to visit top American universities since it was set up in 2012.

Bespoke mentoring and support with college and scholarship applications has helped more than one third of the programme's alumni going on to enrol at selective US institutions.

How candidates from disadvantaged backgrounds present themselves at interview is another potential barrier to entry that can prevent them from getting a job in the sector, according to feedback from four-fifths of senior figures in Sutton Trust-Deutsche Bank polling.

"Soft skills continue to act as a barrier for many young people from disadvantaged backgrounds today," Bruce says. "This is one of the reasons why we are calling for contextual recruitment, where applicants' achievements are placed in the context of their background. By recruiting from as wide a talent pool as possible, employers are much more likely to find the best possible employees."

Everyday inclusion

Santander UK is the only UK retail bank to make the Top 50 in the 2018 Social Mobility Employer Index, which ranks more than 100 employers across 18 sectors on actions they are taking to ensure they are progressing talent from all backgrounds. The index is compiled by the Social Mobility Foundation, a charity that supports high-achieving young people from low-income backgrounds into the top universities and professions, and is sponsored by the City of London Corporation, which governs London's Square Mile.

Damien Shieber, Head of Culture and Inclusion, Santander UK, says: "Everyday inclusion is pivotal to the success of the banking industry. As a bank, we want to be representative of the society we operate in and where all employees can have a voice and are able to bring their true selves to work. By creating a workplace that attracts, retains and rewards the most talented and committed people regardless of where they started in life, we can create a thriving workplace and a sustainable organisation.

"It's also important that the commitment towards social mobility comes from the top of the organisation and in that regard, we have an Executive Committee sponsor who ensures that social mobility remains firmly on the agenda."

Santander launched an eight-week traineeship programme in June 2017 to help young people aged 16 years-plus to develop their employability skills. This aims to prepare them for work and move on to one of the bank's apprenticeship schemes, which are UK-wide and offered to anyone aged over 18.

Emerging talent

As well as apprenticeships based in Santander branches, the bank offers degree-level apprenticeship programmes, including opportunities in Digital and Technology Solutions and a Finance Apprenticeship.

> **"Everyday inclusion is pivotal to the success of the banking industry."**
>
> Damien Shieber, Santander UK

"There has been an invigorated interest in apprenticeships, which has enabled many financial services organisations to rethink their approach to emerging talent and to consider how to support talent from diverse backgrounds," Shieber says.

"Sixty-five per cent of colleagues who join our graduate scheme are from non-Russell Group universities [an association of 24 research-led UK universities], with one third of them being the first in their family to attend university.

"Alongside routes to employment within Santander, we also have 86 university partners in the UK, which annually help more than 3,000 students find internship placements with small and medium businesses in all industries. These placements are part-funded by Santander, with the rest paid for by the business."

Santander has also launched an employee-led Social Mobility network, designed to help colleagues through advice, issues, events, knowledge-sharing and networking. Other employee-led networks include Women in Business, Mental Well-being, Parents & Carers, Ethnicity@Work and Embrace – which supports LGBT+ colleagues.

On further steps the industry could be taking to support social mobility, Shieber says: "One of the biggest challenges for the industry, as with all sectors, is the

MINI REPORT: **SOCIAL MOBILITY**

lack of data around recording the socio-economic background of employees. It's currently not listed alongside the other nine protected characteristics under the Equalities Act 2010, and as such there are no standardised recommendations to collect and measure the data. Through peer-group forums, which Santander is heavily involved with, there's a drive within the sector to standardise the metrics, which will help the industry as a whole understand the social mobility of its workforce, to ensure even more progress is made."

"There is still much more to be done to increase social mobility and diversify the workforce."

Laura Bruce, The Sutton Trust

Financial footsteps

KPMG's research found that 41% of financial services employees had parents who worked in the same industry, compared with 12% for non-finance employees.

Those aged 16 to 24 were most likely to have followed their parents' footsteps into financial services, as reported by 55% of respondents in this age group. The same was true of just 21% of 16 to 24-year-olds in other sectors.

Tim Howarth, Head of Financial Services Consulting, KPMG, said: "The fact that people in financial services are more than three times more likely than the national average to have followed in their parent's career footsteps is staggering."

A narrow and narrowing talent pool and not enough social mobility is a big challenge for the future of the sector, he added.

Employability schemes

HSBC UK says it is the largest corporate supporter for employability programmes through The Prince's Trust, the UK youth charity founded in 1976 by His Royal Highness The Prince of Wales.

Michaela Wright, Head of Corporate Sustainability, HSBC UK, explains: "Since 2014, we have supported the Trust's Get Into programme, an employability scheme to help jobless young people get back into work. As part of that, we launched a bespoke customer services course – giving young people the opportunity to test out their skills in branches and offices across the UK and gain valuable work experience."

Almost 5,400 people aged 16 to 24 who were not in education, employment or training were involved in the programme in 2018, helping them find work or guide them back into education or training.

Alongside its support for the Get Into programme, HSBC UK offers young people the opportunity to gain real-life experience in its branches and contact centres, with a nine-day work placement. Of the 40 young people selected to join work placements in 2018, 27 continued into full-time employment with HSBC UK.

"A new partnership forged with The Prince's Trust in 2018 focuses on developing the future skills for young people, including testing new employment initiatives and helping young people in London and Birmingham overcome challenges," Wright adds.

"These initiatives will improve social mobility by giving young people the training and support they need to realise their potential."

Looking ahead

On what more could be done, Wright says: "Change isn't going to happen overnight and there is much more we need to do to improve social mobility and allow for greater access to the banking sector. For disadvantaged young people, the visibility and accessibility of opportunities is extremely important – and without limits to the talent pool that we have to choose from."

In 2019, HSBC UK began a new partnership with Career Ready, the UK charity that prepares young people for the world of work. This enables the bank to support 280 individuals a year through the core Career Ready programme in Birmingham, London and Glasgow, providing employer-led mentoring, internships and masterclasses.

"Internally, we also have a process for interns and work experience that gives everyone an equal footing, regardless of their background," Wright adds. "We want to ensure we have the broadest spectrum of talent possible – and that means the opportunities are open for everyone." CB

MINI REPORT: SOCIAL MOBILITY

Is technology opening or closing doors?

If automation is replacing low-skilled jobs and closing branches, how can technology help promote social mobility?

Are regional branch closures and the automation of some banking services a threat to those who may be struggling to enter – and stay in – the banking profession? Or does technology itself also offer solutions, for example in enabling remote working?

"Technology can help drive social mobility – offering new, low-cost ways to communicate, collaborate and learn," says Danny Harmer, Chief People Officer at Metro Bank.

The challenger bank this summer partnered with StrongTomorrow, an initiative to help ex-prisoners secure starter roles in banks and FinTechs on their release. The project runs in partnership with Code 4000, a UK charity that teaches prisoners to code.

"Connecting Code 4000 graduates with businesses, like Metro Bank, not only supports these graduates back into the job market, but will also help address the country's demand for much-needed digital skills," Harmer adds.

"Coding is also one of the skills that businesses, including us, need as we develop our digital capability to better serve our customers. We're really proud to support the scheme and will hire our first colleague trained via Code 4000 this year."

Flexible working

Technology also unlocks flexible working and learning for colleagues. "Modern working culture has moved on from expecting people to be at a fixed desk every day," Harmer says. "We often use Skype for meetings to catch up remotely, or Microsoft Teams so we can collaborate on documents together. It's about using technology and face-to-face interaction to deliver the outcomes people want to achieve in a way that works for them and the business."

The bank's multi-site training facility, Metro Bank University, offers a mix of face-to-face and e-learning courses.

The State of the Nation 2019 report from the UK government's Social Mobility Commission warns that, as automation changes the world of work, social divides could worsen, because workers in low pay and with low qualifications are most at risk of their work being automated, while at the same time are the least likely to access training to reskill.

How might branch closures feed into this trend? Harmer at Metro Bank points out that people still need to bank, but in different ways. Branch closures reflect the need for traditional banks to reduce their footprints based on their current scale as customers migrate to online and mobile.

Customer choice

The key is to offer customers a choice between store-based, digital or telephone service, and Metro Bank is continuing to grow its on-street presence, with new store openings scheduled this year in the Midlands, Manchester and Liverpool.

"Creating a truly differentiated approach to banking can't be achieved without the right people," Harmer says. "We recruit colleagues from the communities where our stores and teams are based. This is good for employment within those local communities and for our customers, who can speak with someone who knows their area.

"Most of the people who join our customer service or contact centre roles are likely to be entry-level jobs. We hire them for their attitude and we train them for skills in our in-house university. So it doesn't matter if you've never worked in a bank before, in fact most of our entry-level people haven't."

In October 2018, Metro partnered with leading business school, Cranfield School of Management, to launch an MSc in Retail and Digital Banking, which also provides the Chartered Banker Institute's Chartered Banker Diploma on completion.

> **"Technology can help drive social mobility."**
>
> Danny Harmer, Metro Bank

"This is about investing in our colleagues and enabling them to be the very best they can be, with the knowledge and confidence they need to help Metro Bank continue to be a disruptive force in UK retail banking," Harmer says.

HSBC UK agrees that technology is opening, rather than closing, doors into the industry.

Michaela Wright, Head of Corporate Sustainability, HSBC UK, says: "With technology developing at a rapid pace, a range of skills are needed to succeed in the workplace – not just traditional qualifications such as a degree.

"We have made a public commitment to help people develop the skills they need for the jobs of today and tomorrow. That's why we're focusing on increasing employability and financial capability for our customers, employees and communities." CB

MINI REPORT: **SOCIAL MOBILITY**

Changing lives

By its 150th anniversary in 2025, the Chartered Banker Institute hopes to have supported at least 200 scholars through its 2025 Foundation initiative.

The Chartered Banker Institute supports social mobility in banking through its 2025 Foundation, which aims to help young people who would otherwise find it difficult due to their circumstances to pursue a career in banking.

The Foundation was launched in 2017 with a donation of £155,000 from the Institute, raised from the sale of its historical banknote collection.

The Institute's target is to raise £1m to support at least 200 Foundation Scholars between 2017 and 2025, which marks the Institute's 150th anniversary.

"Our focus is on proactively attracting individuals who are historically under-represented in the banking profession, including individuals from minority groups and specific socioeconomic backgrounds who display the likely academic talent and drive to gain a professional banking qualification," explains Moira Houston, Continuing Professional Development (CPD) Manager, the Chartered Banker Institute.

"The 2025 Foundation's aim is to change lives, by opening up opportunities to pursue a career in banking to those who would not otherwise have this opportunity or who would not otherwise consider such a career.

"Bursary applicants will be new entrants to the banking profession who are keen to undertake entry-level banking qualifications and continue on a professional journey."

Bursary support

This autumn, three scholars who have attained the necessary grades to progress to university will begin their studies with bursaries from the 2025 Foundation.

The Foundation relies on voluntary income through donations from Fellows and members of the Chartered Banker Institute and from corporates and individuals. The 2025 Foundation Committee has also entered a matched-funding agreement with The Robertson Trust, which awards more than £16m a year to Scottish charities committed to achieving positive change for individuals and communities across Scotland. A key aim is to help talented young people who may face barriers to education and development, including supporting students who have the ability, but not necessarily the means, to go to university.

Mentoring and internships

David Thorburn, Chair, the 2025 Foundation Committee, says: "The 2025 Foundation supports students who might face various financial pressures at different times throughout their academic banking careers, with grants towards the costs of examination fees, study materials, tutor support and other relevant costs.

"As well as receiving financial support by receiving a bursary, scholars will also work with a mentor and will also have the opportunity to apply for intern programmes.

"Our aim is to ensure that individuals from whatever background, starting or developing their careers in banking, have an equal chance of achieving their goals based on merit, dedication and determination."

Thorburn said the Foundation reflected the spirit of the original aims and objectives of the Chartered Banker Institute, which is the oldest institute of bankers in the world and was founded in 1875 to support the education and professional development of those entering the profession.

Get involved

Fellows and members who have benefited from the banking education provided by the Institute can put something back, by making a charitable gift of £2,025, an amount that links to the Institute's 150th anniversary in 2025.

Institute members with 10 or more years' banking experience can also apply to become a 2025 Foundation mentor. Applicants will be asked to complete a short application form and attend an interview with the 2025 Foundation staff and a member of the committee. CB

Find out more: https://www.charteredbanker.com/foundation-homepage.html

"Our focus is on proactively attracting individuals who are historically under-represented in the banking profession."

Moira Houston, the Chartered Banker Institute

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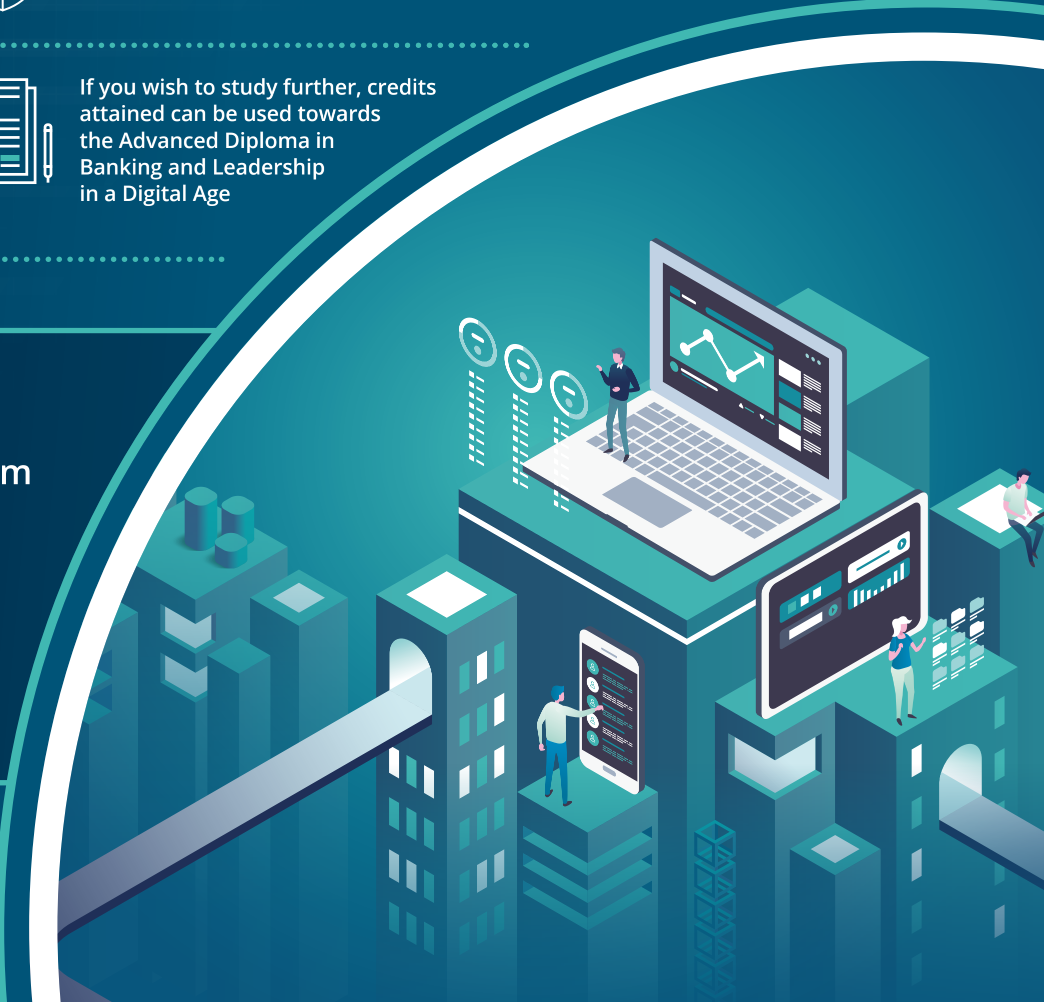

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COUNTRY SPOTLIGHT

Singapore and UK forge closer ties

A suite of historic agreements between Singapore and the UK marks the start of closer collaboration between the two partners.

Since it was founded in 1819 as a free port, "open to ships and vessels of every nation," by British East Indian administrator Sir Stamford Raffles, Singapore has established itself as an important international financial centre.

The city-state at the heart of Southeast Asia is a significant hub for 24-hour trading in foreign exchange and securities with Asia-Pacific, European and American centres, and is home to almost 130 banks – four local and 123 foreign.

"Singapore is a flourishing international financial centre, with its financial services industry enjoying stable growth due to the country's pro-business environment and political stability," says Andrew Gilder, Asia-Pacific Banking and Capital Sector Leader at EY. "It is increasingly becoming an Asia-Pacific regional hub of choice for global financial institutions."

> **"Singapore and Britain have a special and long-standing relationship."**
> Tharman Shanmugaratnam,
> Singapore Government

Total UK-Singapore trade stood at more than £9.5bn in 2017, up nearly £2bn on 2016, according to the City of London Corporation, the governing body of the City's Square Mile.

Nearly £1bn of this trade is in financial services. There are 55 Singapore financial firms in the City of London employing nearly 1,000 people, according to the Corporation, and five Singaporean multinational companies list on the London Stock Exchange to raise capital. London also acts as a key offshore hub for currency trading in Singapore dollars.

Mutual benefits

As part of Singapore's official Bicentennial celebrations – 200 years since Sir Stamford Raffles arrived and established the port by treaty – Singapore and the UK further strengthened their collaboration in financial services this year by forging a series of mutual agreements on skills and standards.

In June, industry association the Institute of Banking and Finance Singapore (IBF), which represents 200 member firms including banks, insurers and asset managers, signed a Declaration of Intent with the Chartered Body Alliance, which represents the UK's three leading UK-based Chartered Professional Bodies: the Chartered Banker Institute, Chartered Institute for Securities & Investment and the Chartered Insurance Institute.

"This mutual agreement will deepen our collaboration in financial services, offering synergies and benefits to the banking, finance and insurance professions, customers and communities in the UK and Singapore," says Simon Thompson, Chief Executive, the Chartered Banker Institute.

The Declaration affirms the partners' intent to enhance co-operation in three key areas:

1. Raising the skills and competencies of banking and finance professionals in areas including ethics and integrity, professional conduct and behaviour, cybersecurity, digital skills, green and sustainable finance, risk management (in particular, operational, technology and conduct risks), and specialised insurance

2. Facilitating the sharing of innovative and best practice in the development and delivery of education and training programmes for banking, finance and insurance professionals

3. Enhancing the mutual recognition of professional standards, qualifications, training and certification for banking, finance and insurance professionals.

Skills and synergies

The Chartered Body Alliance, which has a combined global membership of 200,000 individuals, and the IBF agree that deepening co-operation in these areas will help enhance and sustain the professional skills and competencies of banking, finance and insurance professionals in both jurisdictions, and globally.

The Chartered Institute for Securities & Investment is the largest professional body for securities, investment, wealth and financial planning professionals and has more than 45,000 members in more than 100 countries.

Simon Culhane, Chief Executive, Chartered Institute for Securities & Investment, says: "This declaration builds on the important synergies which already exist between our stakeholders in the areas of ethics and professionalism, raising awareness of the Chartered brand as the ultimate mark of trust for the consumer."

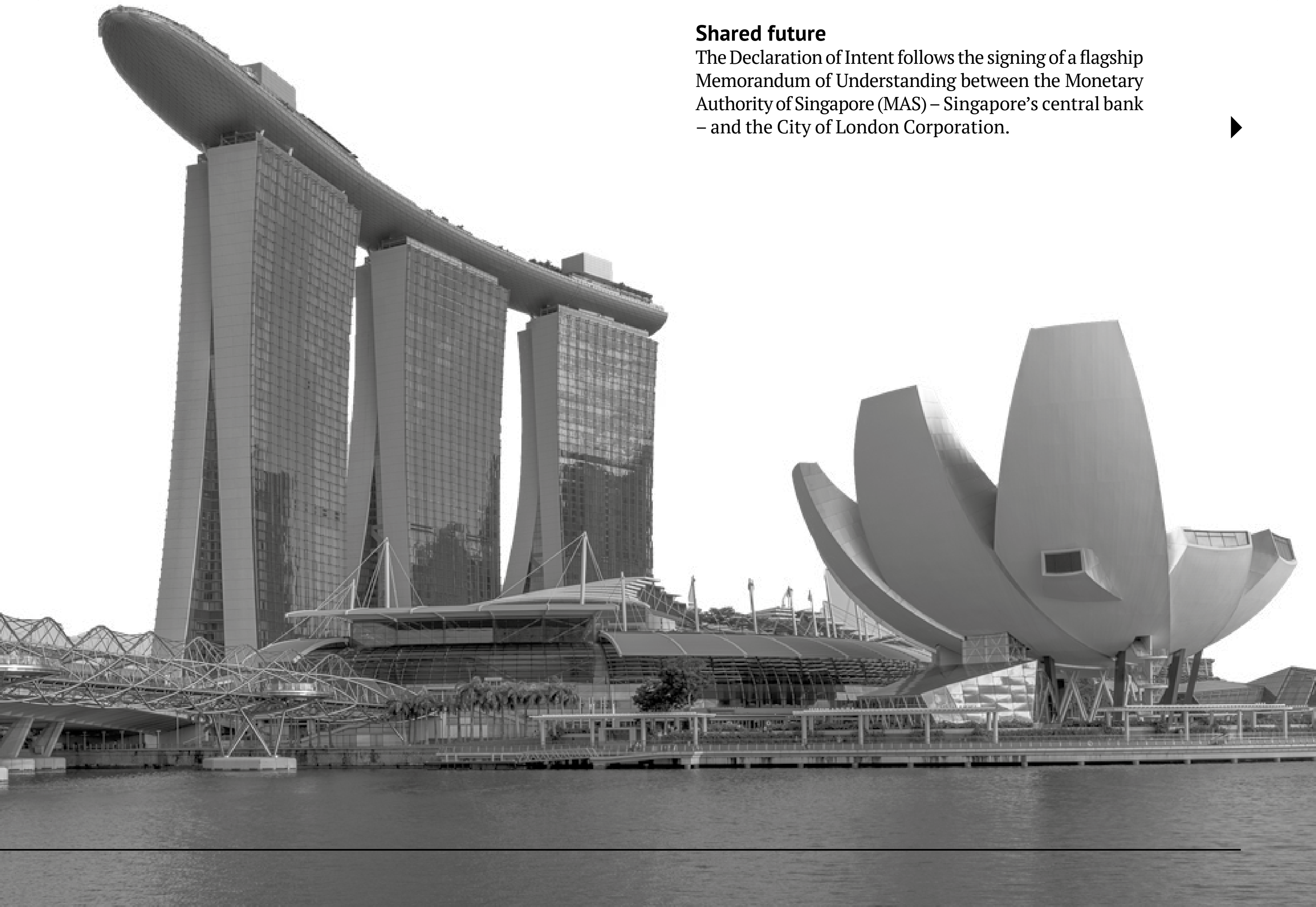
The Chartered Insurance Institute is dedicated to building public trust in the insurance and financial planning profession and has 125,000 members.

> **"It is increasingly becoming an Asia-Pacific regional hub of choice."**
>
> Andrew Gilder, EY

Sian Fisher, Chief Executive, Chartered Insurance Institute, says: "The Chartered Body Alliance is committed to standards and trust across the whole of financial services, and the signing of this agreement is a good step to promoting this initiative, and building on the professionalism that is already a firm focus in Singapore."

Shared future

The Declaration of Intent follows the signing of a flagship Memorandum of Understanding between the Monetary Authority of Singapore (MAS) – Singapore's central bank – and the City of London Corporation.



COUNTRY SPOTLIGHT

Signing the agreement at the UK-Singapore Business Summit in London's Guildhall, Singaporean Senior Minister and Coordinating Minister for Social Policies and chairman of MAS, Tharman Shanmugaratnam, said: "Singapore and Britain have a special and long-standing relationship based on our intertwined histories and a shared future.

"We have drawn many lessons from London in developing Singapore – especially the City's rise to become the pre-eminent global centre that it is – and today, we deepen our collaborations in a number of key areas."

A MAS spokesperson adds: "The UK-Singapore Business Summit, which commemorates Singapore's Bicentennial, was an excellent demonstration of our longstanding relationship, strong collaboration and keen mutual interest to deepen connectivity between our financial centres.

"The Memorandum of Understanding covers a range of areas where both parties agree to collaborate on including facilitating data flows, enhancing cross-border 'know-your-customer' processes, developing skills and competencies in the financial sector, and promoting green finance."

A separate Partnership Agreement was also signed between the MAS and the City of London's UK Green Finance Initiative, which was launched in 2016 to promote London and the UK as a global centre of green finance and to drive regulatory and policy enhancements.

> **"This mutual agreement will deepen our collaboration in financial services."**
> Simon Thompson, the Chartered Banker Institute

"This Partnership Agreement aims specifically to promote and apply principles of green and sustainable finance within the financial systems of Singapore and the UK," explains the MAS spokesperson. "It aims to harmonise standards, enhance environmental and climate risk disclosures, and strengthen green finance collaboration in the international environment."

Peter Estlin, Lord Mayor of the City of London, said the agreements were "a shining example" of how two leading international financial centres can work together.

Deepening collaboration

Andrew Gilder at EY believes the agreements will deepen collaboration between the two markets across multiple areas, including financial co-operation, innovation, data and people-to-people exchanges.

"Sharing best practice in the development and delivery of education and training programmes could also help to enhance and sustain the professional skills and competencies of banking, finance and insurance professionals in both jurisdictions," he adds.

"In the past, many people held the view that Asia could learn from the mature markets of the UK and the US. However, with the current level of innovation taking place across financial markets in both Asia-Pacific more broadly and Singapore specifically, there is much to be learned by observing the dynamics in these markets too."

Singapore's credentials include being the most digitally competitive nation in Asia-Pacific and second globally behind the US, according to the IMD World Digital Competitiveness Ranking 2018, from Switzerland's influential International Institute for Management Development. This is ranked on factors such as knowledge and technology, talent, training and education, capital investments and future readiness.

Promoting innovation

Gilder explains: "From a regulatory perspective, the Monetary Authority of Singapore has been extremely proactive in encouraging technology adoption and facilitating innovation across the financial sector. The regulator views a vibrant FinTech ecosystem as being key to Singapore's vision of becoming a 'Smart Financial Centre', and committed SGD$225m to the Financial Sector Technology and Innovation scheme to promote innovation back in 2015. It also established the FinTech Office to enable a whole-of-government approach to developing the FinTech ecosystem and became one of the first countries to launch a regulatory sandbox in 2016.

"More broadly, banks in Singapore face the same regulatory challenges as their global peers. Issues such as financial crime, conduct and culture, regulatory reporting and capital and liquidity remain on the regulatory agenda and, therefore, on the agenda of the bank boards and their management teams."

Recent developments include news that the MAS is issuing up to five new digital bank licences, paving the way for non-banks to enter the local financial services scene and offer online and mobile applications, without the need for physical branches.

While data analytics and automation are transforming roles across financial services, a 2019 EY Singapore report commissioned by the IBF and the MAS found that few roles, if any, would be entirely displaced, with human expertise remaining critical.

The ability to deliver creative and innovative solutions, for example, is beyond the reach of machines, suggests the report, The Impact of Wider Integration of Data Analytics and Automation on Manpower in the Singapore Financial Services Sector.

Gilder at EY adds: "Availability of talent is an extremely crucial factor, and the supply of digital talent in Singapore – particularly for niche roles such as data scientists and social marketers – needs to be ramped up."

Digital transformation

A study this year commissioned by the IBF and the MAS set out how data analytics and automation are likely to augment or transform job roles in Singapore's financial sector over the next three to five years.

The study, conducted by EY over nine months and released by Singapore's Minister for Manpower, Mrs Josephine Teo, also identified the skills necessary to perform the new tasks enabled by data analytics and automation.

A total of 121 job roles across the banking, capital markets, asset management and insurance sectors were mapped out, representing most jobs in the financial services industry.

The IBF-MAS study found that about half of the roles analysed would be augmented as individuals leverage these technologies to amplify their performance. Another third of roles would be transformed, as technology substitutes a significant proportion of tasks, and remaining tasks across synergistic roles converge into new ones.

Across all roles, individuals would be required to take on new or expanded tasks that have a higher element of judgement and creativity, while tasks of a more repetitive and rules-based nature were automated. The study also identified emerging roles that would grow in demand with the adoption of data analytics and automation in the sector.

> **"Business transformation alone is not enough. We also need workforce transformation."**
>
> Mr Ng Nam Sin,
> Institute of Banking and Finance Singapore

Mr Ng Nam Sin, Chief Executive Officer, IBF, said: "Business transformation alone is not enough. We also need workforce transformation. This study will help us uplift our workforce, harness the power of data analytics and automation, and make Singapore's financial centre more competitive."

Essential skill sets

IBF and Workforce Singapore (WSG), which promotes the development, competitiveness, inclusiveness, and employability of all levels of the workforce, also launched the Technology in Finance Immersion Programme (TFIP) to help professionals start a career in technology through structured training and attachment in leading financial institutions.

TFIP will offer training and attachment opportunities in cloud computing, cybersecurity, data analytics and full stack development. It has been developed by IBF and WSG and in partnership with Infocomm Media Development Authority (IMDA), which promotes Singapore's digital, media and telecoms industries, MAS and industry stakeholders.

Mr Tan Choon Shian, Chief Executive, WSG, said: "The TFIP opens up new avenues for mid-career Singaporeans keen to pick up new skills and convert to new careers in tech job roles in the financial services sector. By providing meaningful on-the-job training with leading banks in Singapore, this will help mid-career individuals build up their essential skill sets in the respective technology areas."

The release of the study and the launch of TFIP are intended to bolster the financial sector's ongoing workforce transformation efforts. As at the end of 2018, financial institutions had identified and committed to reskill and redeploy close to 4,000 of their employees.

Mr Howie Lau, Chief Industry Development Officer, Industry Development Group, IMDA, said: "Tech skills is a hot currency in today's digital economy, with the demand for infocomm professionals in Singapore expected to grow across all sectors over the next few years. We are committed to support our local workers in tech skills training so they can continue to seize new and better opportunities that arise from technological shifts in the financial sector." CB

SCOTTISH NATIONAL INVESTMENT BANK

National interest?

Can a new national investment bank transform Scotland's economy – and help build a better society?

A Scottish National Investment Bank (SNIB) "will have a truly transformational impact on the Scottish economy", according to Benny Higgins, strategic adviser on the SNIB to Scotland's First Minister Nicola Sturgeon.

Speaking to Chartered Banker Institute members in Edinburgh, former Tesco Bank CEO Higgins, who is heading the SNIB's implementation, explained that it would "catalyse a step-change in growth for the Scottish economy" through its two goals of scaling up medium-sized business, and investment in long-term infrastructure 'missions'.

"Doing what is right and what will make a significant difference is rarely easy."

A force for growth

The Bank, which will operate independently from the Scottish Government, is set for launch in autumn 2020 with an initial £490m investment and, over its first 10 years, a committed £2bn long-term capitalisation[1] – equivalent to 1.3% of Scotland's GDP.

The SNIB aims to address Scotland's low productivity and relatively slow growth (a 0.5% GDP increase in Q1 2019 and 1.4% increase over the year compared with Q1 2018[2]) due, says Higgins, to a number of factors. These include the country's narrow export base, an ageing population and Brexit 'headwinds'. These issues will also be affected in future by further considerations such as the effect of automation on employment and industrial dislocation around the pursuit of carbon neutrality.

No angel

One of the SNIB's two main areas of focus is the scaling up of medium-sized businesses. The aim of this, says Higgins, is to create a stronger market and enable Scottish businesses to "show their ambition". But why not focus investment on start-ups? He highlights the "awkward

place in the middle" between start-ups seeking sub-£1m capital, and businesses requiring "tens of millions". Rather than acting as an angel investor, the SNIB, with its "patient" approach, will fund projects targeting, "that next gap, the one that is the most limiting, the one that thwarts more ambition but that shapes the market".

The Bank may offer guarantee schemes to help those companies with strong cashflow but weak collateral to access more traditional funding from high street banks. By making the funding process easier for businesses – essentially a "decluttering of the landscape" – Higgins hopes to democratise access to investment. However, he acknowledges that this will require "a much higher level of collaboration – between government, enterprise agencies and the private sector".

Higgins believes there is demand in Scotland for such levels of funding, and without the Bank that investment would not be possible. "This is about creating an institution with a risk appetite to invest, in some cases, in risks that wouldn't have been palatable to the private sector," he says.

On a mission

The SNIB's second stream is investment in cross-sector infrastructure projects that address societal challenges – an approach heavily influenced by the mission-oriented framework advocated by Laurie Macfarlane and Mariana Mazzucato, author of *The Entrepreneurial State*. Higgins explains that: "The approach is congruent with the Scottish Government's pursuit of the broad goals articulated through the National Performance Framework. In particular it will enable the Bank to play its part in meeting the so-called 'grand challenges' such as climate change and demographic changes."

"This will be a catalyst for a new level of collaboration between agencies, government and the private sector."

On a Scottish level, the challenge likely to see investment first is the transition to a low-carbon economy. While politicians will ultimately decide these missions, the Bank's role is to make them happen.

Winning support

In autumn 2018 the Scottish Government ran its second consultation on how the Bank's missions will set its strategic direction, as well as its operating model, capitalisation, focus for investment activities, likely relationship with ministers, and its general purpose and objectives. Its ethically committed mission-based approach (and no doubt its potential to boost the Scottish economy) has found broad support.

In response to calls for increased levels of capitalisation, Higgins has stated that the amount is commensurate with other national investment banks and also the same parameters set by HM Treasury for the British Business Bank.

Meanwhile, the three-year Building Scotland Fund (BSF), announced in the Draft Budget 2018 to 2019, is operating as a precursor to the SNIB; as of June 2019, BSF had allocated £94m to housing, regeneration, industrial and commercial property projects.[3]

What matters most

Higgins says he is "not naïve enough to think [the SNIB] won't be under political pressure from time to time" but instead focuses on the potential power of a having a "single, committed, patient shareholder" in the Scottish Government.

"Doing what is right and what will make a significant difference is rarely easy," he says. "In the face of unprecedented economic and social dislocation, this is the time to put in the hard yards and to make sure that what matters most is not at the mercy of what matters least.

"By ensuring that the Bank is not simply a new piece of apparatus added to a crowded landscape but rather a catalyst for a new level of collaboration between agencies, government and the private sector, we will build an institution that will have a truly transformational impact on the Scottish economy now and for the future." CB

[1] https://www.gov.scot/policies/economic-growth/scottish-national-investment-bank/
[2] https://news.gov.scot/news/scotlands-economy-grows-0-5-percent-in-2019-quarter-1
[3] https://www.gov.scot/policies/economic-growth/building-scotland-fund/

DIVERSITY AND INCLUSION

Industry falls short on ethnic diversity

Great progress has been made on diversity and inclusion – but more work is needed to close the ethnicity gap.

More diverse teams come up with more creative solutions – and who doesn't want that? asks Georgina Bulkeley, Director of Strategy and Innovation for Personal Banking at RBS.

Presenting a lecture at this year's 144th Annual General Meeting of the Chartered Banker Institute, Bulkeley set out the case for building a sustainable culture of diversity and inclusion in financial services.

"All the research demonstrates that there is a direct relationship between a diverse leadership team and financial performance, including value creation," Bulkeley says.

It's not just about gender, she stresses. "Research carried out by McKinsey has shown that companies in the top quartile for ethnic and cultural diversity were 33% more likely to have industry-leading profitability."

Bulkeley has worked in financial services for more than 20 years, starting her career at Goldman Sachs in New York and London before moving back to Edinburgh as a Director at Standard Life Investments. During the past 12 years in various leadership roles across RBS and NatWest she has seen huge strides in gender representation across the group, which now hopes to also improve its representation of black, Asian and minority ethnic (BAME) workers.

"It's not just the future of financial services we have the opportunity to change here."

Georgina Bulkeley, RBS

"In 2013, we set an aspiration to have 30% senior women in our top 5,000 roles by 2020," she says. "We have actually already exceeded this aspiration – the proportion of women in this population has risen to 44% today in our top 5,000 roles. When we consider black, Asian and minority ethnic workers, they account for around 14% of the UK working population – yet they hold just 6% of top management positions. Around 310,000 BAME small and medium enterprises in the UK contribute £25bn to the UK economy. And the UK's BAME population is set to grow to 20% by 2030. We can't continue with the current levels of under-representation."

Within the bank, 15% of UK-based colleagues who choose to disclose their ethnicity are black, Asian or minority ethnic, Bulkeley explained. This is 1% higher than the UK census BAME working-age population.

"However, as we look up our organisation, our data also indicates that only 4% of our top three leadership layers and 8% of our top 5,000 roles come from BAME backgrounds," she adds.

"Following our approach to gender representation, we've introduced a bank-wide target to have 14% of BAME colleagues in our leadership population by 2025, mirroring the percentage of the working UK population. This is the first time we have introduced BAME targets in the bank and we hope it will address the historic imbalance."

On gender, RBS has pledged to have a fully gender-balanced workforce by 2030 and to have at least 30% women in the top three leadership layers in each of its businesses by 2020.

"We are currently 37% on aggregate and we're confident we'll meet the target in all business areas by our deadline," Bulkeley says. The bank was also recently one of the first companies in the UK to open up its partner medical benefits programme to employees in a same-sex relationship, she adds. Other diversity and inclusion milestones include being awarded a 'Gold' rating by the Business Disability Forum, which promotes the employment of disabled people.

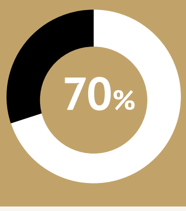
Bulkeley's call to action is for leaders in financial services to ensure diversity and inclusion is an integral part of their overall business strategy. Organisations also need to have clear, systematic programmes of activity promoting diversity and inclusion. And setting public targets can help ensure aspirations are delivered.

"It's not just the future of financial services we have the opportunity to change here. By building a more inclusive workforce, we're ultimately helping to build a more inclusive society," Bulkeley concludes. CB

Diversity and Progression

The Chartered Banker Institute's third Diversity and Progression survey sought members' views on progression, pay negotiation and transparency, gender and ethnicity.

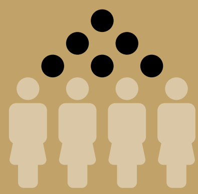
KEY FINDINGS



said that there are clear opportunities for progression in the industry

HALF of those from an ethnic minority background agreed

4 IN 10 identified unconscious bias as the top issue to tackle



For men and women working in financial services there are clear opportunities for progression, according to 70% of respondents to Charter Banker Institute's latest Diversity and Progression Survey.

But for ethnic minority groups, only half agreed that they had good access to progression in the industry.

"The clear message from the survey is that the most important changes needed to support ethnic diversity and progression are behavioural ones," says Hilary Cooper, finance expert and Senior Associate of independent think tank The Finance Foundation, which compiled the survey for the Institute.

"Over 40% identified unconscious bias as the leading issue that needs tackling, supported by diversity and inclusion training for all staff. Leadership that promotes an inclusive image of the sector, proactively recruits from under-represented groups and supports the positive expression of diverse religions was also identified by more than a quarter of respondents as being key to future progress on ethnic diversity and progression."

Ethnicity gap

As well as career progression, the survey captures the views of Institute members on pay negotiation and transparency, gender and ethnicity, with similarly striking results.

On pay, 42% of respondents overall thought there was a high level of pay transparency in their organisation, however just 28% of ethnic minority respondents thought this.

"Respondents from ethnic minority backgrounds appear to have quite significantly less access to training and development, with the exception of online learning and specific training courses or programmes, where there was not much difference with the average," Cooper adds. "Aside from this, much lower percentages than average – 60% – said their organisation provided personal development planning and only around 40% had access to coaching and internal mentoring within their organisation. This presumably reflects the type of organisation worked in, and may suggest that those working outside the UK, as three-quarters of the ethnic minority sample does, do not have the same range of development opportunities."

Respondents identified a number of areas where they felt the Chartered Banker Institute could most effectively help members to progress to senior positions. The most frequently mentioned were career development and coaching and professional development and mentoring or other support, to help create a profile inside the organisation and build a reputation outside.

> **"The most important changes needed to support ethnic diversity and progression are behavioural ones."**
>
> Hilary Cooper, The Finance Foundation

Progression support

"Most of those responding thought that improved diversity in their organisation would lead to changes in behaviour as well as greater employee satisfaction and inclusion," Cooper explains. "In support of this, 45% were in favour of the idea that organisations should set diversity targets, although fewer – 28% – thought that senior managers' performance and pay awards should be conditional on progress on diversity."

Repeating a finding from the Institute's survey in 2017, respondents said women's progression would be most effectively supported by a business culture that promotes work/life balance and flexible working. Women also highlighted unconscious bias and the need to ensure that female staff feel listened to. For men, support for returning parents and improved paternity and shared parental leave were mentioned most often, after flexibility.

The online questionnaire was sent out by email between 26 March and 31 May 2019 and received 348 responses. CB

For more information about the Institute's mentoring scheme, please visit: https:www.charteredbanker.com/volunteering-hub/mentoring.html

YOUNG BANKER OF THE YEAR

Champions of sustainability

A new Young Banker of the Year has been crowned. Here, we not only introduce the winner and their idea, but hear more about the other three impressive finalists.

The final of the UK's most prestigious annual event for leading young bankers took place at London's Mansion House on 10 September, with four finalists competing in the Chartered Banker Institute's Young Banker of the Year competition.

Bringing true entrepreneurship to banking, Sarah Walker from Santander was named the 2019 UK Young Banker of the Year and presented with her trophy by Alderman Sir Alan Yarrow. Her winning idea was for an app to help people reduce personal debt.

"The Young Banker of the Year competition aims to showcase the banking leaders of tomorrow and to use their innovative and fresh approach to inspire new generations of finance professionals," says Simon Thompson, Chief Executive, the Chartered Banker Institute.

"All four finalists presented inspiring ideas that show the future of banking is in safe hands. I would like to congratulate all of them, and in particular, Sarah Walker on becoming our 2019 Young Banker of the Year.

"Sarah's winning idea 'MyMoneyAdvisor' is an app that helps to improve people's lives by helping them reduce their debt quicker and minimise interest paid. It also demonstrates in a very practical way the social purpose of banking, helping to reconnect banks and society."

Launched in 1987 by the Chartered Banker Institute, the awards recognise and reward those individuals who reflect the qualities of customer-focused, ethical professionalism promoted by the Institute and expected by society. Nominations were invited from the Institute's 33,000 members and from a wide range of senior industry figures from across the UK banking industry.

This year, young bankers were asked to develop ideas with a focus on green and sustainable finance, and/or responsible banking more broadly. Contestants were asked to develop a proposal in response to the question:

"What idea would you implement in your own organisation to improve outcomes for some or all of the following groups: customers, colleagues, counterparties, communities and the organisation you work for? Your idea should place customers and their needs at the heart of the business and reflect your vision for the future of banking based on sustainable and/or green finance principles."

From left to right: Dr Rhian-Mari Thomas OBE, CEO Green Finance Institute; Bill McCall, President, the Chartered Banker Institute; Sarah Walker; Alderman Alison Gowman; Lauren Fuller; Daniel Brooksbank, Editor, Responsible Investor; Paul MacLean; Daniel Godfrey, Head of Talent Acquisition and Development, Bank of England; Nika Muller.

Following initial judging and live semi-finals in Birmingham and Edinburgh, four finalists presented their proposals to a judging panel composed of industry experts Daniel Brooksbank, Editor, Responsible Investor; Daniel Godfrey, Head of Talent Acquisition and Development, Bank of England; Alderman Alison Gowman; Bill McCall, President, the Chartered Banker Institute and Dr Rhian-Mari Thomas, OBE, CEO Green Finance Institute.

Sarah achieved a notable double by also winning the Audience prize. This was awarded to the candidate whose presentation, in the opinion of the spectators, best personified the high professional standards expected of bankers.

Presenting Sarah with her award was President Bill McCall. "I would like to congratulate Sarah, and also pay tribute to all four finalists tonight, for their inspirational ideas," said McCall. "These clearly reflect their vision for the future of banking based on sustainable/green finance and responsible banking more broadly.

"There has been much to be proud of and it leaves me with enormous confidence in the future of our sector and profession."

If you didn't enter this year but have a great idea that you feel could change banking for the better, you can register your interest for next year's competition at www.charteredbanker.com/youngbanker

INTRODUCING THE 2019 YOUNG BANKER OF THE YEAR

SARAH WALKER, SANTANDER

Sarah Walker is a branch director for Santander and started her banking career nine years ago, aged just 18.

She joined Santander as a customer service adviser and has worked in many different roles across multiple locations. A passion for helping people was her motivation for joining the banking sector.

Walker says: "It is a real honour and a privilege to have won the Young Banker Award for 2019. I have always wanted to create something that would make people's lives easier and help them to realise that with the right support and guidance they can become debt free. Most importantly, I want people to feel like they are not alone and they have people that want to help them. The whole competition process has been fantastic and to present in front of such experienced judges has been an amazing opportunity."

"I have always wanted to create something that would make people's lives easier."

Sarah Walker

Sarah's idea is an app – MyMoneyAdvisor – that helps people to stay in control of their finances and get debt free quick, while minimising interest paid. The app will show customers their overall debt, income and outgoings. It will also suggest how a customer could consolidate or simplify their current unsecured debt.

"The app will provide suggestions on products and services through Open Banking to help the user become debt free quicker," Walker explains. "The app also includes a section dedicated to mental health and well-being – to help the user relax and unwind – and hints and tips on how to talk to their family/friends about money worries. There are a variety of programmes available to the user to help improve their mental well-being.

"My inspiration comes from normal, hard-working people who are struggling to get by on a day-to-day basis. I grew up in this environment in an economically deprived area of London and I want to help these people to not feel alone. I would love to bring my idea to reality and am in talks with Santander to try to see if we can make this happen. I definitely want to progress with the idea and I will not give up on my dreams."

Walker says she has enjoyed the whole Young Banker of the Year process, especially developing herself as an individual.

"I had never participated in public speaking before and my confidence has grown so much through this process," she says. "I have learned that I am capable of doing anything I put my mind to, and that I must be a voice for people struggling with debt and their mental health."

The banking sector is always changing and developing, Walker adds, and in future will be very digitally focused.

"However, I also believe that banking will become greener and more responsible, putting customers at its heart. I want to play a part in that and I really want to develop my app to be able to support that vision and help those people."

The Chartered Banker Institute is renowned and a huge part of UK banking, she concludes. "It is important for banking to be professional and for bankers to adhere to professional standards. I would love to look at participating in some Chartered qualifications in the future."

The four finalists: Nika Muller, Paul MacLean, Sarah Walker and Lauren Fuller.

LAUREN FULLER, RBS

Lauren Fuller is a telephony based mortgage adviser with RBS in Norwich, and also belongs to the Chartered Banker Institute Membership Forum.

Her idea is to help homeowners save money and reduce their carbon footprint through HomeAgent, the home-buying and ownership support portal that NatWest launched with property search site Zoopla in 2018. Homebuyers can use the site to search for properties, find local tradespeople or removal firms and compare energy suppliers.

Fuller explains: "The first part of my idea is to build a platform into HomeAgent that links to the Association for Environment Conscious Building, so our customers are encouraged to use builders who work only in a sustainable and eco-friendly way. There would also be a small calculator to understand whether there are cost savings from doing things in a more sustainable way.

"In the second phase, the platform would implement an artificial intelligence [AI] system which could read Energy Performance Certificates [EPC]. This would give people an idea of energy-efficiency improvements they could make to their home and help them find people in their area that could do that."

The AI system would also help the customer if they needed funding for these improvements, for example a personal loan, mortgage, or savings account.

> **"My proposal ultimately benefits the planet by helping customers make positive choices."**
>
> Lauren Fuller

"By incorporating an option to upload their EPC on the site, look at carbon-neutral home improvements or simple ways of improving their home to save on energy bills, we are a more responsible lender," Fuller says. "If customers can see the financial benefit of making their properties sustainable, and see their lender is serious in helping them to do this, it has a positive impact on both mortgager and mortgagee.

"My proposal ultimately benefits the planet by helping customers make positive choices," she concludes. "It helps the customer save money and lower their carbon footprint – and it helps the bank to focus more on customer demands."

PAUL MACLEAN, RBS

Paul is a capability partner at RBS in the bank's Digital Banking and Transformation – Personal Banking team. He explains: "Feedback from customers makes clear they would welcome more support from banks to transition their own spending choices to lower-carbon alternatives. With spending activity running through bank accounts, banks have a unique opportunity to provide this support – an opportunity unavailable even to retailers and government."

Paul's first idea is financial incentivisation. Using existing partner reward schemes offered via current accounts and credit cards, banks would provide cashback offers to customers from companies with positive environmental policies only. This could include specifically incentivising the purchase of efficient electrical appliances.

The second element provides visualisation tools. "This involves using data to identify transactions made with companies with green policies," he explains. "These will be labelled online and in the mobile app, using a green leaf symbol, helping customers to engage more closely with the impact of their spend, not only financially but environmentally."

Every customer will also be provided with a personalised Environment Score, which will reflect the CO2 impact of every purchase. This enables them to set personal carbon-reduction

"Customers will be supported to reduce their emissions, to save energy and cut energy costs."

Paul MacLean

targets with real-time visual updates to motivate them. Choosing products and services with positive environmental impacts would attract incentives and increase the customer environment score. Open Banking creates exciting opportunities for industry-wide adoption, Paul says.

"The third element is educating customers on sustainability. Banks can use new innovations in artificial intelligence to make personalised suggestions to customers on how to make more sustainable spending choices. For example, using your spend to show the fuel and car tax savings available from switching to an electric car."

Spending choices are one of the most powerful tools customers can use to drive the transition towards a sustainable future. "A recent move from commercial to personal banking helped me identify the huge potential banks have to support customers with their £1.3tn day-to-day expenditure[1]," Paul adds.

"Using the incentivisation mechanism, banks can increase sustainable growth," Paul suggests. "Customers will be supported with effortless access to the facts on their personal carbon impact – putting them in control of reducing their emissions, with new incentives providing additional motivation."

NIKA MULLER, NATWEST

Nika Muller previously worked for the Chief Digital Officer at NatWest creating Digital ESG solutions. Muller is now in a key climate change leadership role at RBS and also chairs the NatWest Women's Network Senior Leadership Committee.

"My idea is a digital solution that unlocks the potential of green small and medium businesses," Muller says. "It responds to the Bank of England's push for an orderly transition to a carbon-neutral economy," she explains.

As a leader in the UK economy and the largest business banking provider in the country, RBS has a crucial role to play in supporting sustainable initiatives, says Muller.

"By establishing a proper channel to serve these customers in a relatable way and expanding a suite of services that aid clean, sustainable growth, RBS can establish a deeply rooted program of customer advocacy using a tactical digital solution as the engine.

"With an eight-week build period, which includes a two-week discovery period, we want to run a green pilot with a controlled test group of customers to evidence proof of value. This allows us to test the digital solution directly with customers, as we build it."

Muller says her inspiration is the plant-based food brand Deliciously Ella, started in 2012 by Ella Mills, who had been diagnosed with a serious illness the year before.

"Ella was extremely unwell with no business track record and simply set out to help people and create community," she says. "The outcome was that she had the number one selling iTunes app and created a multi-million dollar business revenue with a varied ethical plant-based product line. I wanted to leverage the incredible assets we have available to SMEs and tailor them more directly to effectively support the next Ellas."

In the banking sector of the future, Muller expects to see fairer representation of women, ethnic minorities and people with disabilities in leadership positions. Genuinely caring about the environment will also be the norm.

"I would like to be instrumental in leading the culture change necessary for banks to start adding value to the societies they serve, whilst remaining profitable," she concludes. CB

[1] Office National Statistics, 2018 Household Spending.

Top left: Sir Alan Yarrow. Top right and below: Professionals assembled at London's Mansion House for the Young Banker of the Year final.

WORKPLACE DISCLOSURES

Speak Out

The Chartered Banker Institute's Speak Out initiative, developed in association with Cathartic, is a digital solution to support not only whistleblowing, but the many workplace issues affecting members.

The unique technology that was to become the Chartered Banker Institute's Speak Out was developed from a social enterprise that enabled people to share their stories. But this anonymous communications platform, created by Cathartic, quickly became a busy hub of disclosure activity dealing with a complex array of issues and providing a safe space where users could communicate without any fear of shame or reprisal.

The Speak Out story

Speak Out's evolution began when software developer Cathartic and the Chartered Banker Institute first connected through their respective work with The Finance Innovation Lab, a charity that supports innovators to create better financial systems.

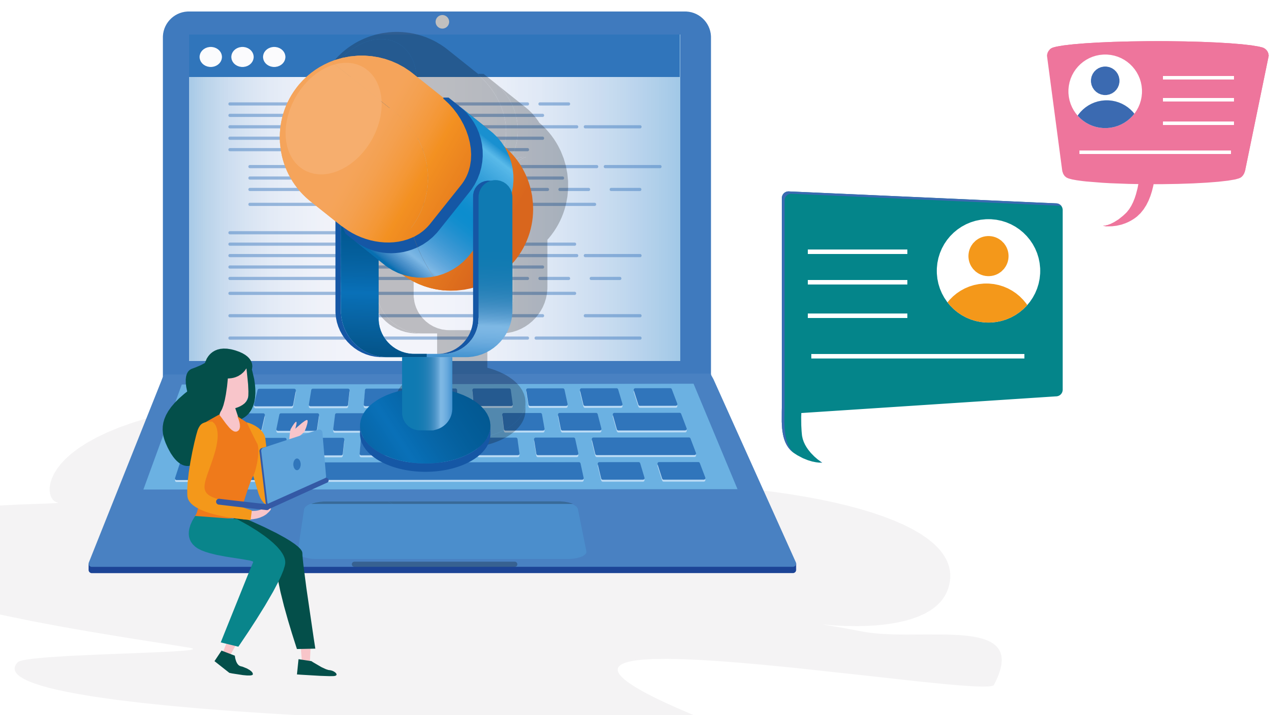
Barclays, another Finance Innovation Lab partner, soon identified the technology's potential as a whistleblowing solution. Following a period of joint development between Cathartic and the bank's Global Whistleblowing team to produce an international pilot, the Institute was able to get involved and begin its own Speak Out journey.

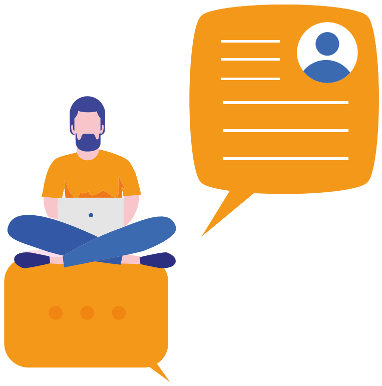
This period of development enhanced the technology further in order to provide appropriate signposting for users and to collate comprehensive (anonymous) user data and insight to ensure ongoing improvements. Following trials and 'soft launches', Speak Out was rolled out to Institute Fellows on 25 July 2018 and to all members on 5 September 2018.

What is whistleblowing?

When the Institute first began working with Cathartic, in late 2016/early 2017, the intention was to develop a whistleblowing service in response to the Financial Conduct Authority's (FCA's) introduction of extensive new whistleblowing regulations.

> **"It soon became clear that the initiative could, and should, address much more than just whistleblowing."**





When someone 'blows the whistle' they are raising a concern about danger or illegality that affects others e.g. customers, members of the public, or their employer.

Within the Public Interest Disclosure Act 1998 (PIDA) qualifying statements are disclosures of information where someone reasonably believes (and it is in the public interest) that one or more of the following matters is either happening, has taken place, or is likely to happen in the future:

- a criminal offence
- a breach of a legal obligation
- a miscarriage of justice
- a danger to the health and safety of any individual
- damage to the environment
- deliberate attempt to conceal any of the above.

In September 2016, the FCA introduced extensive whistleblowing regulations directly affecting all deposit-takers with assets exceeding £250m. These new regulations were designed to create an environment in which individuals would have the confidence to come forward and every firm is required to appoint a senior manager who champions whistleblowing.

Broadening scope

It soon became clear that the Speak Out initiative could, and should, address much more than just whistleblowing, says Shona Matthews, Head of Regulation and Policy, the Chartered Banker Institute.

The resulting Speak Out service provides all Institute members with somewhere to discuss whether a professional ethical dilemma should be reported, or to find out how to raise a concern, she explains.

Since its launch, Speak Out has provided members with guidance and support across a range of issues, including whistleblowing in financial services, bribery and corruption in financial services, whistleblowing member conduct, bullying and harassment, sexual harassment and whistleblowing health and safety. The Speak Out team continuously monitors and reviews anonymised user activity data to ensure the most comprehensive and inclusive service.

A safe environment

Organisations should provide a safe space internally to discuss a range of workplace concerns, says Matthews. "But if you're not sure where to find this support – or don't feel safe following the guidance supplied by your organisation – what should you do?"

This, she hopes, is where Speak Out comes in. "Accessed from the Institute's Member Hub, Speak Out has been carefully designed to quickly help members to understand the next steps that are available to them," she explains.

Often the issue can be resolved relatively easily using the information sheets for guidance, but members also have the option to launch an anonymous chat with the Institute's team for further information or to clarify a situation that they are facing.

"We are not providing a counselling service – we're not qualified to do that," Matthews stresses. "Instead we want to support individuals who are feeling anxious or uncertain about something to access the information that they need as quickly as possible."

For organisations ill-served by traditional incident and compliance reporting systems, Speak Out provides a safe, cloud-based platform with instant access and feedback for its users and administrators. It offers timely and robust reporting enabling swift engagement with issues raised, ultimately limiting disruption and improving workflow in a meaningful way.

"If you're not sure where to find this support – or don't feel safe following the guidance supplied by your organisation – what should you do?"

"While we can review the subjects we're contacted about and use this to inform our content and training, we cannot trace the outcomes of enquiries," explains Matthews. "The view we take is that if we can help even just one member, then we've served our purpose."

Cathartic's aim is to continue working with proactive organisations, such as the Chartered Banker Institute, to provide stakeholders with technological solutions to provide and facilitate safe disclosure environments, address mental health issues in whatever form it manifests, and create a more resilient workforce for the future.

The chat-based Speak Out service is available during the Institute's office hours, but members can access the information at all times. If you have an urgent situation, however, please contact the Samaritans who can provide immediate, free support:

https://www.samaritans.org/ or call: 116 123

For further information about Speak Out and Cathartic, please visit: https://www.charteredbanker.com/resource_listing/cpd-resources/speak-out.html and https://cathartic.io/ CB

BANGOR BUSINESS SCHOOL

Correspondent banking 4.0

New correspondent banking initiatives for cash-based societies must be mindful of the social context in which they operate, say José Alarcón-Molina, Ministry of Health, Chile; Juan Espinosa-Cristia, Andrés Bello University, Chile; and Bangor University's Bernardo Bátiz-Lazo.

Internet banking and digital payments have made significant inroads in Australia, Europe and North America, but Latin American countries, in which bank notes and coins remain the chief medium to settle retail transactions, remain cash-based societies.

Here, retail bank branches are unsurprisingly often full of people – customers and non-customers – queuing up to deposit money, cash cheques, pay bills or conduct remittances. Many Latin American countries lack a dense retail branch network outside the main commercial cities; established banks don't offer convenient access to ATMs across the country while regulation denies possibilities for independent ATM deployers.

Faced with such challenges, some financial institutions in Latin America have invested in examining every aspect of their cash management journey, identifying inefficient processes and areas where new technology could make a difference. At the same time, a number of entrepreneurial start-ups, or FinTechs, have been looking to leverage technological applications to address that type of problem. Some of these initiatives work in tandem with established financial institutions while others aim to work around them.

The rise of Correspondent Banking

An example of the former initiatives is a remote banking service commonly known as correspondent banking or agent banking. For those new to the idea, a quick description may be in order.

Correspondent banking agreements first emerged in early modern capitalism. They envision a contract where one financial intermediary provides services on behalf of another for a fee (charged to the agent bank, the customer or both). The service provider (correspondent/sub-agent) will typically keep cash deposits from the agent bank to facilitate customer transactions. For instance, thanks to its correspondent banking agreements London-based Midland Bank, today HSBC, was able to claim the accolade of "biggest bank in the world" (in terms of assets) in the 1940s and 1950s.[1]

Correspondent banking grew as it enabled international trade in the absence of electronic transfers and global banks. Interestingly, in the USA it also enabled small and medium-sized banks to provide commercial services given restrictions to geographic growth of retail banks and retail bank branch networks.

According to recent survey by the International Monetary Fund, correspondent banking remains an important although less significant function at the turn of the 21st century.[2] This is due to its continued role in facilitating foreign exchange operations, international trade, and cross-border remittances.

A new take

Correspondent banking thus emerged and has been used in financial markets primarily to solve the problem of geographic distance. In the late 1990s, however, Brazilians transformed the correspondent banking model by legally nominating and delegating commercial establishments to offer services otherwise provided in the retail branches of financial institutions.[3]

The Brazilian innovation spread throughout Latin America while using correspondent banking to ameliorate not only geographic distance, but also rugged terrain, high crime rates in cities, or inadequate retail banking and communications infrastructures. Most of these initiatives also sought to increase financial inclusion by enabling cost-effective access to retail financial services for people living in regions where it was uneconomical to operate fully owned retail bank branches and ATMs. This was indeed the rationale that led BancoEstado, a government-owned but commercially run bank, to approach Chilean retailers of different sizes and launch a network of correspondent banking retailers in 2005 called "CajaVecina".

The CajaVecina network envisioned the deployment of a purpose-built point of sale terminal among independent small and micro grocery retailers in urban and rural settings to provide low-income Chileans access to banking services including cash withdrawals and deposits, balance enquiries, money transfers, and credit card payments.

Theory vs reality

A key feature of correspondent banking is that both the customer and his/her bank expect the service provider (sub-agent/correspondent bank or in this case, a small retail shop) to act as if the customer were dealing with his/her bank (in this case BancoEstado).

However, our fieldwork in Chile among retailers who signed up to CajaVecina suggested the shop owner often departed from the norms of the agency agreement in at least two ways. First, we found behaviour aimed to reward loyal customers and preserve cash on hand. Shop owners would, for instance, protect the level of their cash float through mendacity, that is, telling non-recurrent customers that the CajaVecina terminal was broken when that was not the case. Alternatively, they would keep the recurrent customer's details and cash while finalising the transaction at a time of low foot traffic – when they are legally required to finalise a transaction with the customer physically present.

A second form of departure, one which is also difficult for BancoEstado to police, relates to security. Shops with CajaVecina terminals are often located in high crime zones or rural areas, locations where BancoEstado was particularly keen to increase financial inclusion and seldom serviced by bank branches or ATMs.

> "Correspondent banking remains an important although less significant function at the turn of the 21st century."

But the shop owner and neighbours are well aware that a CajaVecina service could increase the amount of cash located at the shop, thus increasing the risk of robbery. In response, the shop owner would adopt strategies that reward recurrent customers or limit the service to hours of high foot traffic.

In summary, the case of CajaVecina suggests that for all the promises of greater efficiency and financial inclusion on the back of technological innovation, system designers mustn't lose sight of the social context in which these innovations will operate. CB

[1] Holmes, A. R. and Green, E. (1986). Midland: 150 Years of Banking Business. London, B.T. Batsford

[2] Liu, Yan and others (2017) Recent Trends in Corresponding Banking Relationships: Further Considerations, Washington, DC: International Monetary Fund. Available at: https://www.imf.org/~/media/Files/Publications/PP/031617.ashx (Accessed 11-Jul-2019).

[3] Loureiro, E., Madeira, G., & Bader, F. (2011). Expansão dos correspondentes bancários no Brasil: uma análise empírica. Trabalhos para discussão, Banco Central Do Brasil.

PERSONAL DEVELOPMENT

Moving on from mis-selling

Following the FCA's recent PPI complaints deadline, BOB SOUSTER considers the ethics of financial selling across two generations. Are banks now getting it right?

The scenario

Kathy joined the staff of a major bank in 1983 and for the first 10 years of her career worked in a branch office in a provincial town. Her job involved advising personal and small-business customers on their financial needs.

Kathy would typically set up current and deposit accounts for new customers and offer advice on personal loans, credit cards and mortgages. Although she completed a professional banking qualification, this was not a company requirement and there was no need to pass any compliance examinations in order to provide advice on the products that she dealt with.

> **"The greatest 'happiness' of the greatest number could be served by product portfolios that did not fit everybody's needs, but addressed the needs of the majority."**

Customers who came to the bank for a personal loan, credit card or mortgage were encouraged to take out additional products. At application stage, customers were advised to take out payment protection insurance (PPI), which offered financial protection in the event of sickness, accident or redundancy affecting their ability to service their repayments. In keeping with the bank's policy, mortgage customers were routinely advised that the most popular repayment option was the low-cost, with-profits endowment mortgage. Kathy's bank provided life assurance products offered by just one company (as a tied agent), and once basic personal information was collected, customers would have an appointment arranged with a tied agent who would provide quotations for the endowment policy. The adviser would also discuss other products with the customer, including income protection insurance and critical illness insurance.

Kathy was proud of the service she provided and most customers were delighted by her professional conduct. In the early years of her time at the bank, she was pleased to learn that many customers whose mortgages were coming up to expiry date had the prospect of receiving a good tax-free cash sum over and above that required to repay their mortgages.

During the 1980s Kathy attended many training courses. She learned that not all of the products offered suited every customer. For example, life assurance experts would speak at the bank's courses and tell the participants that low-cost endowment mortgages did not provide an absolute guarantee that mortgages would be paid off. Likewise, she was told that PPI policies had questionable value for the self-employed and some other categories of customer. At the same time, most staff took the view that if the bank decided that it was in the interests of customers to take these products, then there must be a very good case for doing so.

Marie is Kathy's daughter. Following in her mother's footsteps, Marie joined a bank in 2009, also working in a customer service role. Marie advises customers on basic banking products such as current accounts, savings and some lending products. She also provides mortgage advice, but was required to gain suitable supervised experience and sit examinations before she was authorised to do so. In her role as a customer adviser, Marie cannot recommend PPI, and if a customer asks about this product she is required to refer the customer to a suitably qualified adviser. When dealing with mortgage customers, Marie has to sit down with them and go through a detailed assessment of suitability and affordability. Invariably, customers take out capital repayment mortgages, and the bank does not offer endowment mortgages, nor any other type of interest-only mortgage.

When discussing their experiences at home, Kathy and Marie marvelled at how the customer-facing role in a bank had changed. Kathy regretted that she did not question the suitability of many of the products and services on which she advised, as she knew that some customers had later encountered serious mortgage shortfalls as a result of endowment policies under-performing. She also knew many customers who had claimed compensation for mis-sold PPI. Marie asked her mother if the bank really cared about customers back in the 1980s and 1990s. Why did Kathy's bank not offer a choice of life assurance companies? Why did banks and life companies not give more explicit warnings about the risks of endowment policies? And why were some products sold indiscriminately without first ascertaining whether they were suitable?

From an ethical perspective, did the banks get it wrong in the 1980s and 1990s, and are the banks now getting it right? 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.

The analysis

The deregulation of the 1980s provided a platform for many developments in the banking industry. As the traditional barriers between different types of financial institution broke down, many banks capitalised on cross-selling of life assurance products, just as many of the building societies were able to break into mainstream banking markets. New product development resulted in greater choice for consumers. For the first time, the hitherto conservative banking industry started to learn and apply the lessons of marketing. The customer base grew. Balance sheets grew. Commission income grew, and, with it, bottom-line profitability.

Sales propositions were simpler in that period. Marketers often developed their vision based on typical households with typical needs. One result of this was that product offerings would be based on the 'customer life cycle', using categories such as 'empty nest I, full nest I, full nest II' and so on. By analysing needs at different stages of the cycle, banks would be able to offer a suite of products to match perceived needs. Some products, such as current accounts, deposit accounts and loans, would be offered organically from the bank's own portfolio, while others, including life assurance and general insurance products, would be provided by other companies and sold, based on agency arrangements, remunerated by commission.

Essentially, banks were able to benefit from economies of scale using a utilitarian approach. The greatest 'happiness' of the greatest number could be served by product portfolios that did not fit everybody's needs, but addressed the needs of the majority.

Endowment mortgages were spectacularly successful. At one stage in the 1980s, interest-only mortgages backed by endowments accounted for 80% of new mortgage sales. There was a good reason for this. Endowment policies had performed extremely well in the previous 20 years, and their success shown no sign of abating. Furthermore, endowment mortgages were made cheaper by generous tax relief concessions under life assurance premium relief (LAPR), which was later simplified under the Mortgage Interest Relief at Source (MIRAS) regime. It was easy to demonstrate that for many borrowers, the endowment mortgage was the least expensive option.

Likewise, PPI was an inexpensive way of protecting repayments. It was often sold using an assumption that the borrower would take it unless they specifically decided not to do so.

"Arguably, the mis-selling scandals and the aftermath of the crisis have forced banks to refocus on the customer."

Just as now, it was perfectly clear in the 1980s and 1990s that there were fundamental flaws in both products. Only a very expensive full with-profits endowment policy would guarantee to repay the mortgage, and to be fair to the lenders in Kathy's day, appropriate warnings were given, usually at interview stage and again in the suitability letter. When tax relief concessions were withdrawn with the abolition of MIRAS in 2000, the endowment mortgage became less attractive, but this alone did not kill the product. As for PPI, lenders knew that PPI served most borrowers well, but was almost worthless for some. Yet policyholders did receive full details of what was and what was not covered, and could cancel at any time.

In a professional magazine for bankers, read by bankers and mainly written by bankers, it would be very easy to 'sugar-coat' the track record of the industry. In fact, banks, building societies and insurance companies made some significant errors of judgement in marketing their products. As both the demographics of the existing and potential customer base and the economic climate changed, it should have been apparent much earlier that the 'one-stop shop' model would not serve customer needs indefinitely. History will treat the 2008 global financial crisis as a watershed in banking, but it is significant that the endowment and PPI scandals both broke long before the crisis, and compensation demands were already accumulating.

Banks cannot then be wholly condemned for their sales strategies in the period before the crisis, but when Kathy was plying her trade perhaps a more questioning attitude might have been adopted, both by those in the front line and, more importantly, those who led the banks.

Today, the banks are still dealing with the consequences of mis-selling scandals. There remain many borrowers faced with mortgage shortfalls as a result of under-performing endowments, and even with the passing of the PPI claims deadline in August 2019, it will be some time before all claims are settled.

Do the banks now have the correct formula? Arguably, the mis-selling scandals and the aftermath of the crisis have forced banks to refocus on the customer, with regulators urging them to place customers' interests at the heart of everything they do. This is possibly one of the biggest contrasts between the work of Marie and the work of her mother, nearly four decades apart. Kathy was trained to sell to a formula that was successful but flawed. It encouraged initiative and flair, and in the climate of her day, some individuals prospered purely on their ability to sell. Marie's colleagues are more limited in this respect. They have to tick more boxes, be more mindful of compliance, but more importantly, can never let their eyes stray far from customers and what the bank can do for them. It is no longer about what customers can do for the bank. 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.

MEMBERSHIP FORUM

Giving professional bankers a voice

The Chartered Banker Institute's new Membership Forum will give members a greater voice in governance.

A **much** larger and more diverse group of members is being given the opportunity to become involved in the governance of the Chartered Banker Institute through its new Membership Forum.

The Forum, which met for the first time on 30 May this year, also plays an important role in promoting the benefits of membership within banking and is chaired by David May FCBI, Director of Learning and Development at RBS.

Opening the inaugural meeting, May reflected on his own career and experience in signalling the importance of the Forum. He spoke about evolving theories of leadership and how the late 20th century view of 'vision and direction' had evolved into 'influencing and group accountability'. He concluded by noting the role and value of the Forum, and that it had been created to help the Institute be the best it can be.

Announcing the launch of the Membership Forum in June, May said: "The Membership Forum is a new innovation that puts individual members at the very heart of the Institute and will provide input and advice to the Board of Trustees and the senior leadership team. It underscores the Institute's purpose to educate and professionalise the sector for the public interest.

"I was humbled and inspired by the passion, insight, interest, ideas and commitment that our diverse Forum members brought to our inaugural meeting and delighted to be their Chair as we work together to help the Institute and its members become the best they can be."

Thirty members, recruited by open selection from across the Institute's membership, based on expertise, experience and skills, have joined the Forum Panel.

Martin Fishman, Head of Member and Partnership Engagement, the Chartered Banker Institute, said the inaugural meeting was attended by members from across the UK, as well as international members attending from France, Dubai and Cameroon.

"We tried hard to establish a group that is widely representative of the membership with members from across the UK and overseas, representing all grades of membership and with a wide variety of backgrounds and career stages," Fishman explained.

"One of the Forum's principal tasks is to advise the Board on matters relating to membership and on the development of the Institute's strategic plans."

Simon Thompson

Helen McKay FCBI, Vice-Chair of the Membership Forum, spoke about her own path and described how she has turned to the Institute for support and advice throughout her career in traditional and FinTech banking. Her proudest moments had been with the Institute, McKay said, including qualifying, becoming a Fellow, being nominated as District Chair and now the appointment as Vice-Chair of the Forum.

At the launch announcement for the Forum in June, McKay said: "I am delighted to be involved in this significant change to the governance of the Institute, which will ensure that our members can help to shape and influence our future. This is a great opportunity to understand what our members' views are and to gather thoughts and ideas about what they want from the Institute."

Historical roots

Simon Thompson, Chief Executive, the Chartered Banker Institute, spoke about how the Institute uses its history and values to look to the future and support bankers in a dynamic and evolving environment. He outlined the new Royal Charter and the core role of the Institute in working in the public interest.

The Chartered Banker Institute was the first institute of bankers in the world when it was founded 144 years ago, in 1875, as the Institute of Bankers in Scotland. The Institute received its first Royal Charter in 1975 to mark its centenary.

At the end of last year, a new Royal Charter established the Institute as the Chartered Banker Institute, the UK's professional body for bankers with growing global impact and influence.

The new Royal Charter also modernised the Institute's governance and recognised the collective efforts of its Council, staff, supporting banks and its 33,000 members to enhance and sustain professionalism in banking in recent years.

At this year's annual meeting in June, the Institute's Council was replaced by a new Board of Trustees. One of the Forum's principal tasks is to advise the Board on matters relating to membership and on the development of the Institute's strategic plans. Speaking at the Forum launch, Thompson said: "The newly created Membership Forum is an exciting development for the Institute. It is a true reflection of the 33,000 members we have in the UK and abroad. I am sure the Forum will be a great asset to the Institute, ensuring that members' views are appropriately reflected in the direction and activities of the Institute."

Future direction

The Forum's inaugural meeting also included an outline of the Institute's five-year strategic plan and its four pillars by Joanne Murphy, Chief Operating Officer, the Chartered Banker Institute. The four pillars are external impact and influence; impact and influence across the banking industry; member engagement and developing people and digital capability. Murphy also talked about the dynamic tactical plan that sits underneath this strategy.

> **"The Membership Forum is a new innovation that puts individual members at the very heart of the Institute."**
>
> David May

The Forum then broke into four groups to discuss what the Institute could do more, better, differently or less, before coming together for a plenary session to share and discuss their views.

Summarising the topics that emerged, Fishman said: "The points raised were diverse and will be shared with the Institute's new Board of Trustees. Four broad themes that emerged were: a request for more career/professional guidance; a desire for greater international recognition and profile; a wish for 'mass personalisation' of the membership offering; and the sense that many bank employees now consider themselves to be specialists rather than bankers."

Forum member Jo Wakefield facilitated a session for members to create an advocacy pitch – a message to take back to their colleagues and employers on the work and value of the Institute and Membership Forum.

The inaugural meeting concluded with a review of the first session. Members were asked to consider what had worked well and how they would like to shape future Forum events and engagement. A few points that emerged were:

- A request to debate public interest – as core to professionalism
- Helping members and the Institute speak as the voice of the profession
- A request for additional briefings on the Institute's activities and the commercial environment in which it operates – something the Institute is actively following up on.

The Institute has been reviewing all the outputs from the meeting and developing proposals that respond to many of the issues raised. These are being taken to the Board for initial consideration.

David May concluded the Forum by noting four key themes: connection with members and the Institute; the feeling of community; managing the diversity of opinion reflected across the Forum and the wider membership; and the importance of advocacy and the individual stories of each Forum member. CB

INSTITUTE ADVOCATES

Could you be an Institute Advocate?

Becoming an Institute Advocate is an opportunity to share your thoughts on being an ethical, sustainable and future banker, explains LYNNE BURNS, HSBC UK's Head of Human Resources.

Professionalism in banking is paramount, says Lynne Burns, Head of Human Resources at HSBC UK and newly appointed Vice Chair of the Chartered Banker Institute.

"Customers look to bankers to help and guide them through some of the most important decisions of their lives," she says. "I think therefore they expect those they interact with to have a knowledge and level of professionalism that they can count on."

Burns is one of the first members of the Institute Advocates programme, a new initiative through which the Institute hopes to share insights on what it means to be an ethical, sustainable and future banker – and to highlight its role in promoting professionalism in banking.

"The programme aims to grow the Institute's network and profile, communicate its message and increase positive recognition of its role and scope."

"I fundamentally believe that being linked to and part of the Institute, and undertaking qualifications with the Institute, is an important thing for anyone wanting to progress within the finance sector," says Burns, who has worked in banking for 26 years.

She first came into contact with the Institute in 1993 as a graduate trainee at Royal Bank of Scotland, where she started her Associateship of the Chartered Institute of Bankers in Scotland (ACIBS) two weeks after joining the bank and the industry.

"It was a great experience and it gave me a fantastic technical professional grounding in the sector at that time," she says. "It gave me a sense of increased confidence and I felt it actually accelerated my learning on the job. Twenty-six years later, I can still go back and think about some of the fundamentals that I learned through the business accounting module or the monetary economics module. I think it's increased my credibility in a number of roles and it's enabled me to talk knowledgeably and commercially about banking."

Raising awareness

Burns became a Fellow of the Institute in the early 2000s and officially joined the board at the Institute's Annual General Meeting in June. Being an Institute Advocate is an opportunity to continue extending the profile of the Institute and its membership, and Burns plans to do this in three ways.

"It's a chance to perhaps be a little bit more focused and disciplined in sharing my passion," she says. "First, I already informally promote the Institute when I'm asked to support and mentor lots of individuals. Second, there are the activities I undertake for the Institute, whether that's speaking at conferences or meeting potential members. Then third, there's my own firm. At HSBC, I work for one of the largest banks in the UK, so there's an opportunity to use my role there to continue to increase the profile of the Institute."

HSBC globally employs 235,000 colleagues and has 45,000 in the UK. Head of HR at HSBC UK is a big role – what does it involve?

"It's who we hire, how we hire, the experience colleagues have when they come to work for us in terms of the training, the access, how they are remunerated, the benefits and the well-being support we give them," Burns explains. "So, all aspects of coming to work that the HR function is responsible for."

Banking on professionalism

HSBC itself champions professionalism by offering support for a range of qualifications in the UK. Burns says the transferability of Chartered Banker Institute qualifications beyond UK shores is a bonus for multinational banks such as HSBC, which has operations in 65 countries and territories in Europe, Asia, the Middle East and Africa, North America and Latin America.

"A number of colleagues in HSBC in the UK want to go and work in other parts of the globe," Burn explains. "It's been fantastic for me to learn about some of the transferability of the Institute's qualifications."

"Customers look to bankers to help and guide them through some of the most important decisions of their lives."

For professional bankers, ethical decision-making will continue to be core to building trusted, long-term relationships.

"If we are to be trusted with the data and assets of customers and clients, then they also have to have confidence that our decision-making is underpinned by unbiased and ethical judgement," Burns says.

Being good social and environmental stewards is increasingly important and should follow naturally from professionalism in banking.

"I think it's important to be fully cognisant of social and environmental responsibilities," Burns says. "But that stewardship shouldn't take precedence over our primary role, which is to be good, trusted professional bankers. And if we do that, then generally, I imagine we would live up to the standards expected on social and environmental grounds."

Future banker

Technology is transforming how consumers want to consume, with many more transactions by mobile than in-branch. But customers still want choice.

"A great example for me is a mortgage," Burns explains. "Buying a house is one of the most important things people can do with their money. So, they might like to use their mobile to get an offer in principal or find out what rates that they can get. They might then want to arrange to speak with someone direct just to chat it through."

Over the next five years, the fundamentals of banking and how money moves through the system won't change, Burns predicts. Bankers will still need core banking knowledge, alongside an understanding of different technologies and distribution systems.

"Over the next five years some of what I would call the human skills will continue to evolve," she adds. "Curiosity, the ability to be innovative, thinking outside the box. I think we'll see tasks that can be automated by technology being taken out of jobs. That means when there's human interaction in any part of the banking system, it's going to be at the higher end, where a customer needs some help diagnosing a problem. Where they need that really good ability to empathise, to build rapport and relationships. And because people choose to do that on such few occasions, I think their expectations of standards from anyone they interact with will be quite high." CB

INSTITUTE ADVOCATES

Through our Institute Advocate programme, the Chartered Banker Institute will be inviting Fellows, senior bankers and other thought leaders to offer their opinions on our core topics of Ethical Banker, Sustainable Banker and Future/Digital Banker – or more widely on banking professionalism.

Institute Advocate opinions will be communicated via platforms including the Chartered Banker Institute blog, website, social media channels, podcast page and *Chartered Banker* magazine. The programme aims to grow the Institute's network and profile, use the profile and voice of others to communicate its message and increase positive recognition of its role and scope.

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

PROFESSIONAL FINANCIAL ADVICE

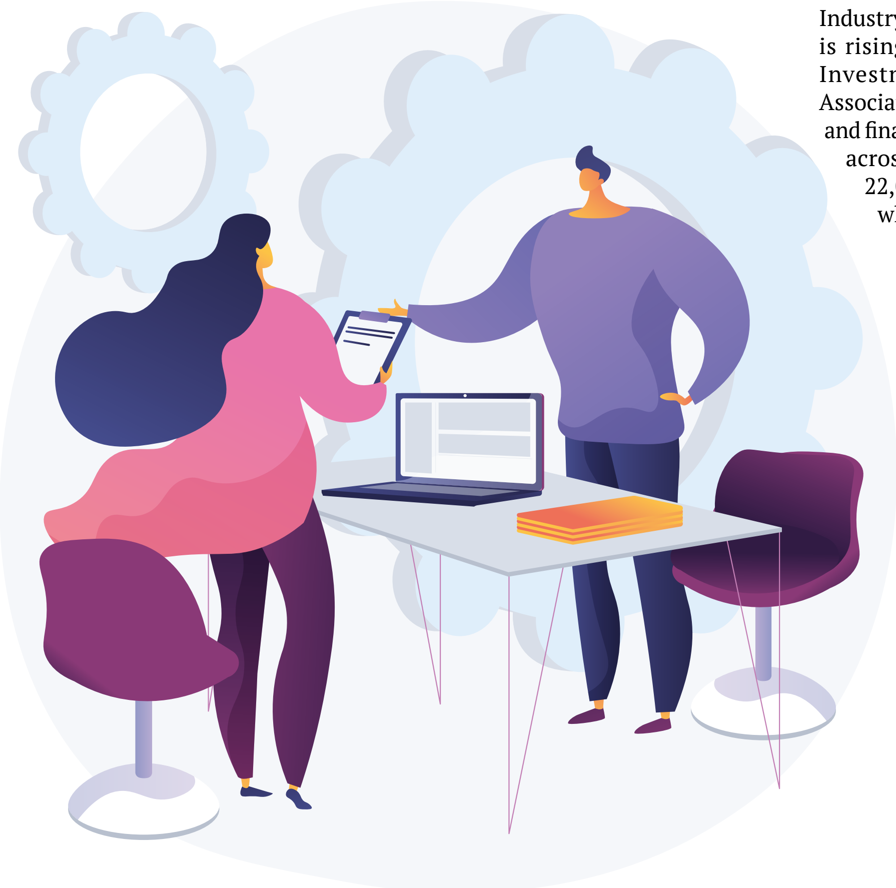
Closing the advice gap

Demand for financial advice is surging – but millions of people don't know where to start looking for it. How can the industry address this shortcoming?

Research for Openwork, one of the UK's largest network of financial advisers, found that more than two out of five (43%) people need help to find the right guidance. The survey revealed women are missing out the most, with 62% unsure as to where to go for financial advice compared with 38% of men.

"People are increasingly recognising the value of expert financial advice, but it's worrying that they still aren't sure about the best way to access it," says Claire Limon, Director of Learning and Acquisition at Openwork.

Despite claims that technology can help people to make financial decisions, the nationwide survey of just over 1,000 adults by data company Consumer Intelligence shows people increasingly want face-to-face advice.



Just over 70% say they are worried that so-called robo-advice – online and automated financial planning services – may not be what they need and 73% of adults say they would rather speak to a human financial adviser.

Unmet demand

How can financial advice firms capitalise on this unmet demand?

"There is already massive unmet demand for face-to-face advice. We therefore want more advisers to join us and more people to start a career in financial planning so that we, and the whole sector, can meet demand," Limon says.

"We are growing our advice offering by recruiting, educating and supporting a new generation of financial advisers who can help consumers better understand their financial goals, then support them on the best way to achieve these ambitions."

Industry figures show the number of financial advisers is rising. The most recent data from the Personal Investment Management and Financial Advice Association, the UK's trade association for investment and financial advice, showed there were 26,000 advisers across the country. But that growth, from around 22,000 in 2013, merely takes the industry back to where it was in around 2011, Openwork says.

The government is committed to helping those in need of financial advice and has set up the Money and Pensions Service. It remains to be seen whether this will provide the bespoke and in-depth advice that many consumers, especially those approaching retirement, require, comments Limon.

Access issues

Independent financial advisory company Chase de Vere believes a falling number of firms offering independent, whole-of-market advice is contributing to the gap in consumer knowledge.

Patrick Connolly, Chartered Financial Planner, Chase de Vere, says: “It is proving increasingly difficult for people to get access to face-to-face independent financial advice. This is because an increasing number of firms are offering restricted advice and many adviser firms want to work only with wealthier clients.”

While independent advisers can recommend their pick of most retail investment products from across the market, restricted advisers can usually recommend only certain types of products or only products from a limited number of providers.

“Many advisers choose to be restricted because it means they can sell their own products and investment funds,” Connolly continues. “This is understandable from their perspective, but it isn’t such a good idea for their clients if these products are expensive and poor value.”

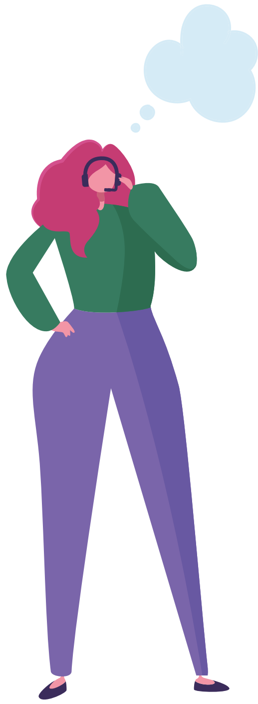
The difficulty in accessing face-to-face independent financial advice means that people are forced to use online robo-advice services or make financial decisions on their own. This increases the likelihood of making the wrong choices, Connolly adds.

“A possible solution is for employers to offer financial advice or financial education in the workplace,” he suggests. “This could make financial advice more accessible. This would be a benefit to employees and employers alike as the latter would be less likely to be faced with an ageing workforce that can’t afford to retire. When this happens, the company could suffer from lower productivity, succession planning issues and losing their younger talent to competitors that provide more advancement opportunities.”

Openwork notes government figures that show more than 41 million people across the UK are members of company pension schemes. The firm’s poll found around 40% of respondents wished their employer would offer financial advice – underlining how keen people are to access support with their money, whether pensions or savings.

“There is already massive unmet demand for face-to-face advice.”

Claire Limon,
Openwork



“A possible solution is for employers to offer financial advice or financial education in the workplace.”

Patrick Connolly,
Chase de Vere

Finding the right fit

Those seeking financial advice have to decide whether they want to meet face-to-face with their adviser, whether they’re happy to work with them remotely by telephone or email, or whether they just need some information before making their own decisions, continues Connolly.

Consumers also need to find out whether their adviser is independent or restricted, what charges are involved and what level of service they are getting in return. Professional qualifications are also important.

“While all regulated advisers will need to have achieved a benchmark level of professional qualifications, consumers should understand what qualifications an adviser has in addition to this,” Connolly says. “This is particularly important if they have complex needs or want advice on a specialist area such as pension transfers, inheritance tax planning or long-term care.”

Recommendations from a friend or colleague in a similar position to themselves, or from their accountant or solicitor, if they have one, are potentially good ways of finding the right adviser.

Having found an adviser, what should consumers then look for? “Advisers should be able to offer an initial face-to-face meeting free of charge,” Connolly comments. “If they’re meeting two or three different advisers, which we recommend, this will help the consumer make a decision in terms of who best meets their requirements and who provides the best advice and service. It then falls on the adviser to ensure they always offer their best guidance.”

Not everybody will need professional or complex financial advice, he adds.

“For many people, their basic financial planning should be paying off debts, building cash savings, paying off their mortgage, joining their company pension scheme and understanding the protection benefits provided by their employer,” Connolly concludes. CB

BOOK BANK

Principles and Practice of Green Finance 2019

A new benchmark book for green finance professionals across the globe has been authored by Simon Thompson, Chief Executive, the Chartered Banker Institute.

Whether it's Extinction Rebellion's climate protests, David Attenborough on television or the climate emergency being declared by governments and local authorities, there's currently a huge emphasis on global warming and how the effects of climate change should be mitigated. The financial services industry can play a huge role in this because we need to not only drive our own projects to support those aims, but provide organisations internationally with the banking products and services that can help build a low-carbon world. As its title suggests, Simon Thompson's new book examines the principles and practice of green finance.

Who should read it?
All bankers should take steps to familiarise themselves with green finance, even if they believe they do not work in this space, or do so only very tangentially. Both the book and the Institute's green certification have also attracted attention from people outside the sector. They are often climate scientists or technologists who want to understand the financial side of the environmental sector and what principles we are setting and proposing to support their ambitions.

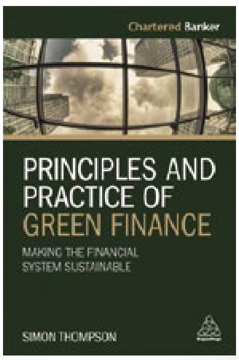
What is green finance?
Green finance is one of a number of terms used to label the broad area of finance that aims to protect or enhance the environment. It's not just having services and products to support environmental organisations or business' green plans, it's putting sustainability and stewardship as guiding terms within our sector.

Why is it important?
Green finance is going to be one of the key areas for the banking and financial services sectors over the coming decade and beyond. It will no longer be a niche subject. It will move into the mainstream of our organisations, impacting on everyone's professional practice over time.

How much global investment is needed?
The global transition to a low-carbon economy will require approximately US$6tn a year for the foreseeable future, based on recent estimates. That obviously needs financial services' support.

Do your readers need expert knowledge in this topic?
Bankers in this area don't need to be an expert in climate science, but they do have to understand the basics. For example, fully realising the positive or negative impacts on the environment that their investments or decisions might be making. Understanding that means knowing the fundamental global political, regulatory and policy context, and what the aims of the Paris Agreement, Kyoto Protocol and Intergovernmental Panel on Climate Change are. Understanding the jargon will also help, so we've included a glossary at the end of each chapter to help readers take away those key terms.

What role do the banks play?
Most people know the Paris Agreement has the clear objective to keep the global temperature rise this century to below 2˚C above pre-industrial levels. What they may not be aware of are two further objectives: to promote climate-resilient development and to ensure the flows of finance are consistent with reducing greenhouse gases. This singles out the role of banks in combating climate change and is effectively the United Nations saying: "It's up to banks and bankers to save the world."



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"Green finance is going to be one of the key areas for the banking and financial services sector over the next decade and beyond."

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.

LESSONS LEARNED

Upside down marketing

Financial products have never been an easy sell. To connect customers with the products they actually need, consider turning financial marketing on its head, says Ian Henderson.

Life insurance. Health cover. Pensions. Selling them is complicated – they're highly regulated and often intermediated – and user journeys can be long and complex. Worse still, we're sometimes asking people to make important long-term decisions about things they'd really rather not think about in the first place.

Added to that, financial services is still the least trusted sector, though the Edelman Trust Barometer recently noted the diverging levels of trust between the mass population and informed public. As consumers, we generally trust banks will give us our money back and that our pension will one day pay out (called transactional trust), but we may not believe the financial industry has our best interests at heart (relational trust is the one that's lacking).

So, we're less likely to believe advice we're given by the industry, even if it's good advice. We become confused, worried and, on the whole, we'd rather think about something else instead. Quite often, well-intended advertising messages – from the factual, 'transactional' to the sometimes-humorous 'relational' – simply compound our fears.

All of which means we put off those decisions if we can. Of course, it helps if the advice we get comes from a trusted source, possibly a strong brand or a financial adviser, if we have one. Research shows our most trusted sources are family and friends, however, followed by online influencers.

And that brings us to a possible solution. It's about turning financial services marketing upside down. Going bottom-up, rather than top-down.

A big societal shift has been evident for a while, an upending of the traditional order, an inversion of old-style, top-down hierarchies. A shift to new, bottom-up, distributed and inclusive movements. Think Harvey Weinstein versus #MeToo, or Big Oil versus Greta Thunberg and Extinction Rebellion.

We are seeing bottom-up, movement-based marketing taking over from top-down, conventional 'push' campaigns in consumer products. Unlike beer ads of the past selling refreshment, peer approval or heritage, BrewDog is selling an open source, crowdfunded alternative: you buy the beer, you can own the company. Massive global brands have been built as user-driven movements, like Airbnb. Giffgaff, the user-controlled telecom network and challenger bank Monzo are doing the same. My daughter was part of the 'digital queue' of (mostly young) people actually wanting to join a bank because the marketing made them feel part of a movement.

A movement can be far more cost-effective because the users and customers become media channels. Airbnb's massive growth came from customer referrals, incentivised on both sides. Monzo's Golden Ticket was a way of turning a bank into a viral phenomenon. And the perceived independence, and therefore trustworthiness, of shared experience with another person who wants what you want builds relational trust far more effectively than a top-down campaign can.

To make it work, we have to really understand the behaviours and drivers (both rational and emotional) of a whole ecosystem of people – not just prospects but their influencers, and others who may enter the conversation as critics or advocates. That means some serious research and data crunching. In the words of New Power theorist Jeremy Heimans, you first find your 'connected connectors'.

"To make it work, we have to really understand the behaviours and drivers of a whole ecosystem of people."

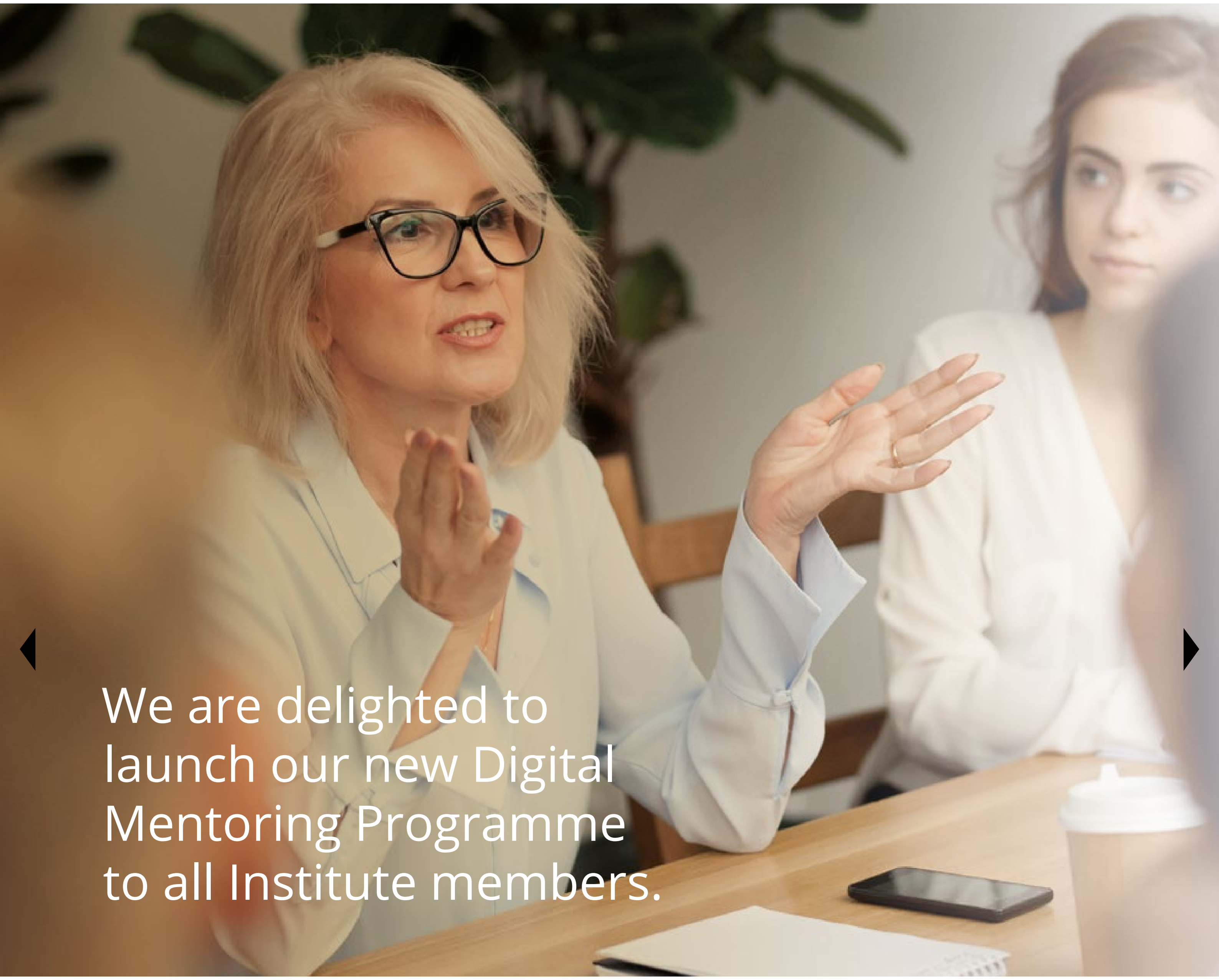
Then we need an idea – a simple, emotional focus for the movement. An Extinction Rebellion, a Punk IPA. Like any advertising idea, it needs to be memorable, distinctive, ownable...but most of all it needs to come from the grassroots, from the users. It needs to have virality. Simple, but far from easy. We must remove barriers between the idea and participants; build participation, not consumption; and harness the strength of 'storms' – by creating, chasing or embracing a grassroots social movement.

Campaigns need to drive action, build connections and make it easy for audiences to extend by themselves using social media, targeted ads and carefully curated content. A bottom-up movement-based marketing campaign, driven by the people to whom financial protection products really matter – the customers – could make an enormous difference to the way life insurance, health cover and pensions are understood, thought about, and bought – not sold.

Most financial organisations are top-down hierarchies, often resistant or slow to change. So turning their marketing upside down won't be easy. But if we can make it happen, we could improve the lives of many people. 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