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Chief Executive  
Financial Conduct Authority  
25 The North Colonnade  
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27<sup>th</sup> June 2018

## Chartered Body Alliance feedback on the FCA Business Plan 2018-19

Dear Andrew

The Chartered Body Alliance commends the FCA on the clarity with which it presents its priorities for the coming year. We look forward to engaging with you and your teams as they progress this plan.

We know from independent research undertaken on behalf of our organisations, that consumers place more trust in the *person* they are dealing with in an institution, than the institution itself<sup>1</sup>. This is where professional bodies such as ourselves can help promote change to assist in the transformation of culture in Financial Services. We represent a third force – not regulatory, not organisational but one focused on delivering cultural change through the professionalism of our individual members and we monitor and implement our codes of conduct with greater rigour than ever before.

We suggest that if those working within the sector are not proud of who they are and what they are doing, they are unlikely to focus consistently on the need to deliver positive outcomes for their customers. Accordingly, we believe that greater support from regulators, like the FCA, for the work that we are doing at the level of the individual actor, would be beneficial to the FCA in achieving its aims of positively improving culture, in all aspects of financial services.

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<sup>1</sup> In May 2017, CISI published research on levels of financial trust in consumers in relation to financial advice; CISI YouGov Ethics Survey 2017, for more information follow [this link](#)

In July 2017 the Chartered Banker Institute published its first Index of Professionalism which compared the level of professional pride that members and non-members of professional bodies take in their work, with implications for the role that professionalism has to play in developing new approaches to consumer issues. Results of the second Index will be published later in 2018. The Chartered Banker Professionalism Index 2017 can be [downloaded here](#)

The Chartered Insurance Institute is also currently developing a trust index, focussing on retail and SME general insurance, in order to inform the debate around improving public trust, which will be published later in 2018.

### **Firms' culture and governance:**

We acknowledge the significant workload which the FCA team will undertake in the coming months to deliver the cross-sector priorities within this area. We remain committed to supporting the extension of the Senior Managers and Certification Regime [SMCR] and the establishment of a Public Register and will continue to engage fully with this work. We have already brought together our members to share best practice and consider how best we can contribute to this project and will continue to share resources and knowledge to ease and support the process of extension. It is our view that the SMCR extension affords all participants an opportunity to focus on developing a culture of professionalism that:

- Embeds an ethical culture combining skills, behaviours and attitudes,
- Ensures individuals within a firm have sufficient expertise to perform their role competently
- Ensures that fit and proper processes including appraisals and oversight functions are adequate
- Ensures that staff are fully aware of their responsibilities under the FCA code of conduct

Whilst it is normal for regulators to focus on 'tone from the top', the role of the individual is the cornerstone of the individual accountability regime and this can be strongly and effectively reinforced by professional bodies.

In a recent speech for the Bank for International Settlements, the Governor of the Bank of France stated: *'over and above the good intentions, declarations and codes of conduct, which did nothing to prevent the excesses that caused the 2008 crisis, the challenge now is for all actors from the bottom to the top of these organisations to adopt an ethical approach.'*<sup>2</sup>

Professional Bodies such as those forming our Alliance represent those individuals and are already working hard to ensure our members and those achieving our professional standards are ready for this challenge, regardless of where they sit within their organisational hierarchy, or their role in terms of the regulatory perimeter.

There is no doubt that the introduction of the Senior Managers and Certification Regime is having the intended effect of forcing firms and individuals to examine their roles and behaviours in greater detail than ever before, thus shining a light on actual as opposed to assumed business practices.

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<sup>2</sup> Speech by Francois Villeroy de Galhau at the 6th 'Ethics and Trust In Finance Global Prize Ceremony, January 2018-  
<https://www.bis.org/review/r180131a.htm>

Taken together with the increased focus on culture and governance at the corporate level, the role of the professional bodies for financial services in supporting their individual members in aspiring to and achieving the highest professional standards, is an integral part of the aims of the regulator.

Accordingly, we stress to you as the regulator and the public at large, the benefits to be obtained from engaging with the 200,000 professional body members, who by their achievements are engaged in positions of influence throughout the profession.

### **Innovation, big data and competition**

As we move to an era where the use of technology will increase the choices available to customers, and where customers will need to become increasingly informed and responsible about the decisions they make, it will be critical that those professionals working in financial services are able to help them make such decisions. In this age of Open Banking, Fintech and Robo advice, just as in the past when ATMs, online banking and investment platforms were launched, individuals with core skills, coupled with a professional mind set will still be required to make sense of, and help customers take advantage of new technology.

Through our Alliance we are creating vital communities, in which professionals can develop a variety of approaches to consumer issues based on shared good practice. This is particularly important for issues that depend on strong levels of empathy with consumer groups such as vulnerable consumers, where traditional frameworks of rules and qualifications need to be augmented by skills that are less technically focussed. For example, our recent event on the ethics of artificial intelligence brought together 130 individuals of our joint membership to gain insight from experts working in this field, share views with them and see what areas our professional bodies should be looking to focus on with our members.

Despite everything we hear and read, about artificial intelligence, bitcoin, blockchain, fintech, digital banking, electronic trading and robo-advisors, at the heart of financial services remains the human capital that our sector depends on even more than financial capital. The highly qualified, knowledgeable, skilled, dedicated, customer-focused professionals who, as much as the new technologies that are transforming our industries, will shape the future. As the professional bodies representing over 200,000 individuals we have a key role to play in helping current members and future generations develop the knowledge and skills required to work with technology to support customers. As such it is important that regulators recognise and more publicly acknowledge this role, our work and the personal commitment of our members and those achieving our professional standards

### **Treatment of existing customers:**

Against all the work planned under this priority we would simply state that a common thread from our research, and that of others, is that reasonable responsibility on the part of the consumer will be significantly enhanced where they are engaged with professional staff that are qualified and knowledgeable and can help them understand the impact of their choices. Our Alliance is already working on developing and improving measures of trust and confidence which may be helpful in measuring consumer outcomes<sup>1</sup>. Again, we would welcome the greater support from regulators for these initiatives which provide simple, externally verifiable measures that relate positive changes in culture and increasing levels of professionalism within the sector.

Those adhering to our codes not only exceed regulatory requirements but do so in a way that addresses the spirit as well as the letter of the rules. Together this should enhance and sustain public confidence that they are dealing with suitably knowledgeable and competent professionals, that they can trust.

It is rare that anyone wakes up in the morning determined to do the wrong thing, yet that is where we sometimes find ourselves. Behavioural economics shows that as human beings we have an unconscious bias to preferring the status quo over changing things. So, in a competitive market that can all too easily translate into the keenest deals going to new customers. But we all know that unequal treatment, especially if it seems totally illogical, breeds distrust in the long run. Working with you as the regulator, we need to find ways to ensure that competition for customers can revolve around quality of service, good value and partnership, rather than only headline cost. If not, we will continue distortion to price to the detriment of customers and the Profession alike.

### **Closing statements**

We have only touched on some of the FCA's planned priorities here. In our ongoing work we shall engage fully and positively, both jointly and separately with all relevant aspects of the FCA's work. In reflecting upon what we can do to help effect the change sought through this plan, we highlight the recent speech by James Shipton, Chair, Australian Securities and Investments Commission in which he stated: *"I would suggest one way of exhibiting trust - is to exhibit professionalism. Accordingly, I have been suggesting that we need greater levels of professionalism in finance, including in the banking and wealth sector."*<sup>3</sup>

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<sup>3</sup> Speech by James Shipton to the AFR 5<sup>th</sup> Banking and Wealth Summit April 2018 <http://download.asic.gov.au/media/4691647/james-shipton-afr-banking-and-wealth-summit-speech-5-april-2018.pdf>



We believe that professional bodies such as those forming our Alliance are the partners to help the FCA achieve this in the UK and in doing so set a model for others around the world<sup>4</sup>.

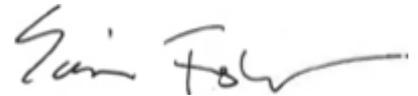
Yours



Simon Thompson  
Chartered Banker Institute



Simon Culhane  
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Sian Fisher  
CII

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<sup>4</sup> [https://www.charteredbanker.com/news\\_listing/news/strong-ethical-culture-supported-by-first-global-standard-for-banking-education.html](https://www.charteredbanker.com/news_listing/news/strong-ethical-culture-supported-by-first-global-standard-for-banking-education.html)