

Andrew Tyrie MP
Chairman
Parliamentary Commission on Banking Standards
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By email: bankingstandards@parliament.uk

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Dear Mr Tyrie

Professional standards in banking

In responding to the Parliamentary Commission's initial call for evidence in summer last year the BBA indicated that it believed that more could be done to strengthen professional standards in banking. In the intervening months we have given further thought to these issues and, in consultation with members and the assistance of KPMG, would like to submit the enclosed supplementary submission in preparation for the evidence session scheduled for next week.

The enclosed submission sets out the wide range of opportunities for raising standards. It is clear this is not a simple problem with a simple solution, but rather there are a number of reforms that need to be made. Care should be taken, however, to ensure that any new arrangements align to the regulatory architecture about to be put in place with the advent of the Prudential Regulation Authority and the Financial Conduct Authority and plans that they may have under their new approaches.

The options for reform identified in the submission fall into three categories: strengthening the existing framework; adopting a top-down approach focusing on firms and their responsibility for ethos and culture; and a bottom-up approach focusing upon the training and qualification of individuals. Reform measures could include:

Strengthening the existing framework

- Extending the number of specifically defined roles covered by the existing Approved Persons Regime, including more of those involved in consumer facing roles and wholesale dealing
- Supplementing the existing Approved Persons Regime with an overarching requirement for bank employees to observe its principles
- Requiring banks to report if disciplinary proceedings against an Approved Person have been initiated where an individual resigns before they are completed
- The regulatory authorities being more explicit in its views on training and competency, including professional development
- More resources being used to enforce existing laws on fraud, conspiracy to defraud, theft and proceeds of crime

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A top- down approach

- The establishment of a Banking Standards Review Council (BSRC), independent of the industry, to monitor and uphold ethical and/or professional standards in banks operating in the UK. The BSRC would have a non-banking chair, and a majority of non-banking members, with others representing the users of banking services and the wider public interest
- An industry-wide Code of Conduct, which would be upheld by the BSRC, and could include expectations of the bank boards, systems of control and incentives, and individual employees
- The Code of Conduct either covering everyone who works in banks (including, for example, HR people and caterers), or just those actually offering banking services
- The BSRC monitoring whistleblowing regimes in banks, to ensure they are effective

A bottom- up approach

- The FSA taking the lead in producing guidance or setting standards in the training and development of bank employees
- An overarching Professional Standards Body (PSB) to recognise and promote various existing standards, professional bodies and institutes. This board could be separate from the Banking Standards Review Council, or the same (if it was separate, then the BSRC would oversee ethical standards, while the PSB would oversee professional standards)
- The PSB also overseeing a register of individuals accredited to the professional bodies that it monitors

The details of these (and some other) options are included in the appended report, with discussion of the various benefits, drawbacks and implications.

In considering the optimal solution, it is vital that the UK remains an attractive place to do business. A well-formulated, proportionate approach should enhance the attractiveness of the UK as a place to do business, rather than reduce it.

The BBA – and the industry as a whole – is determined to play a constructive role in raising standards.

I hope you find this contribution helpful.

Yours sincerely

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Chief Executive

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