

EXPLORING THE ROLE OF PROFESSIONAL BODIES  
AND PROFESSIONAL QUALIFICATIONS IN THE UK  
BANKING SECTOR

Jim Baxter and Chris Megone, University of Leeds  
*Foreword by the Banking Standards Board*



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The BSB was launched in April 2015 in the wake of the report from the Parliamentary Commission on Banking Standards<sup>1</sup>, and opened for membership in January 2016. Its member firms range from the largest banks in the UK to the smallest building society and include branches and subsidiaries of firms headquartered outside the UK, and their activities span the entirety of the banking sector. Both banking practitioners and non-practitioners from outside the banking sector sit on the BSB's Board; non-practitioners comprise the majority of Board members.

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<sup>1</sup> <http://www.parliament.uk/documents/banking-commission/Banking-final-report-vol-ii.pdf> (PCBS Volume II)

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## ABOUT THE AUTHORS

The research summarised in this report was carried out and the report written by Jim Baxter and Chris Megone.

Jim Baxter is the Professional Ethics Development Officer at the Inter-Disciplinary Ethics Applied (IDEA) Centre based at the University of Leeds. Leading the IDEA Centre's Knowledge Transfer activities, Jim has provided ethical review and consultancy services for a range of organisations, and developed and run training and continuing professional development with professional bodies. His research interests include professional and business ethics, ethical decision making and moral responsibility.

Chris Megone is Professor of Inter-Disciplinary Applied Ethics at the University of Leeds and Director of the IDEA Centre. Chris teaches ancient philosophy and a number of areas of applied ethics including business ethics, medical ethics, and ethics in dentistry. His research is focused on medical ethics, business and professional ethics, moral psychology and Aristotelian ethics. He has worked on the development of work in professional ethics with a number of professional bodies in engineering, law and finance and is a member of the ethics committee of the Royal Academy of Engineering.

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Finally, we would like to thank all of those who contributed to this research through surveys and interviews (and who supported this work by helping fit meetings and interviews into diaries); we are grateful to all who took part for their generosity with their time and their open, frank and insightful contributions.

## FOREWORD BY THE BANKING STANDARDS BOARD

The question of whether banking is a profession, a number of professions or neither of these, can be debated at length. That everyone who works in banking should behave ‘professionally’ in the sense of demonstrating high standards of behaviour and competence is, however, rather less contentious, and self-evident from the point of view of customers and clients.

The report of the Parliamentary Commission on Banking Standards (PCBS) ‘Changing banking for good’<sup>2</sup> found in 2013 that an apparent lack of constraints on behaviour of individuals working in banking had contributed substantially to the failures witnessed in the financial crisis. It highlighted the need to strengthen individual accountability across the sector, paving the way for the introduction of the Individual Accountability Regimes<sup>3</sup> in March 2016. The PCBS also noted, however, that regulatory change in isolation would be insufficient, and that more needed to be done to improve professional standards and culture across the sector. It concluded that, while the industry did not have ‘a credible set of professional bodies’<sup>4</sup> these bodies could play a crucial role in advocating ‘a strong duty of trust, both towards clients and towards upholding the reputation of the profession as a whole’<sup>5</sup>.

For the Banking Standards Board (BSB) – not itself a professional body, but established to help raise standards of behaviour and competence across the UK banking sector – the question of whether and how qualifications and/or professional bodies could play a stronger role in instilling professionalism across the UK banking sector is of obvious interest.

In late 2015, the BSB, therefore, commissioned some independent research from the Inter-Disciplinary Ethics Applied (IDEA) centre at the University of Leeds. This research aimed to:

- examine the current use and perception of professional bodies and qualifications in banking, and explore whether either were changing in the light of regulatory developments, or would change if the qualifications perceived to be on offer were any different;
- set out how professional bodies in the banking sector operate, and how this compares with other sectors; and
- explore whether, from the perspective of both firms and professional bodies, there would be value in professional bodies taking on a wider range of roles (again, drawing on experience in other sectors).

There is, of course, more to demonstrating high standards of behaviour and competence than having a qualification or being a member of a professional body; and while this research focuses on professional bodies in the sense of membership organisations open to individuals in banking, there are also a number of bodies in the banking sector that provide training (both technical and ethical) but would not think of or present themselves as professional bodies as such. Likewise, there are a

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<sup>2</sup> <http://www.parliament.uk/documents/banking-commission/Banking-final-report-vol-ii.pdf> (PCBS Volume II)

<sup>3</sup> The Individual Accountability Regimes (of which the Senior Managers Regime, Certification Regime and Conduct Rules form part) were introduced following changes set out in the Banking Reform Act 2013 to replace the approved person’s regime, based on the PCBS’ recommendations to improve professional standards and culture within the UK banking industry. For further details, see: <https://www.the-fca.org.uk/improving-individual-accountability> or <http://www.bankofengland.co.uk/pru/Pages/supervision/strengtheningacc/default.aspx>

<sup>4</sup> PCBS Volume II, para 130

<sup>5</sup> PCBS Volume II, para 135



number of organisations that either define behavioural standards, provide examples of good practice and / or otherwise influence the behaviour or competence of those working in banking such as the Chartered Banker: Professional Standards Board, FICC Market Standards Board, regulators, trade bodies and investors.

Any steps taken to explore the future role of professional bodies must clearly take into account this wider context; and while they have not been the focus of this research, the views of a number of these training providers and other organisations active in this area have helped inform it.

The report which follows provides a substantial body of evidence about the role of professional bodies and professional qualifications in UK banking; drawing together the views of firms, professional bodies and these other relevant and key stakeholders. The headline finding is that the potential exists for professional bodies to play a significant role in raising levels of competence and ethical behaviour in the sector. To fulfil this potential, the report identifies five cross-sector challenges that will need to be addressed.

The introduction of the Individual Accountability Regimes makes these challenges perhaps even more salient and pressing. In some other jurisdictions<sup>6</sup> and industries<sup>7</sup>, the professional standards expected of relevant individuals are set by an external body – often a professional body and/or regulatory body. In the UK banking industry, and under the Certification Regime, no such explicit role is allocated to external bodies and judgement about whether or not relevant individuals are ‘fit and proper’ to perform their role rests with banks and building societies. As approaches to complying with these regimes are embedded within firms, there is the potential for professional bodies to contribute significantly to raising standards of behaviour and competence across the sector thereby enhancing firms’ abilities to not only comply with the regime but for the regime to achieve maximum benefit across the sector.

The research identifies, however, a number of factors that may prevent this happening. One is the difficulty in judging the quality of the wealth of different banking qualifications; another is the lack of clear pathways and links between qualifications to career progression within firms; a third is the absence of qualifications (or a tiered framework of qualifications) that give a recognised and thorough grounding in the fundamentals of banking. The research indicates, in all of these areas, potential benefits for firms, professional bodies and other relevant stakeholders in working together to develop pragmatic, sector-wide (or across relevant parts of the sector) solutions.

Qualifications, however, are just one aspect of the role that professional bodies could potentially play in contributing to higher standards of behaviour and competence in banking. Insights obtained by looking at the roles of professional bodies in other sectors makes it clear that issues of professionalism in other industries are addressed more comprehensively, with a more holistic approach – incorporating different aspects and roles for the professional bodies in question. While the approach that is appropriate in one industry may not be necessarily directly transferable to another, this cross-sectoral work can give useful examples of how professional bodies can contribute further to higher standards of behaviour and competence, and can suggest ideas as to how this might – or might not – be applied in banking.

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<sup>6</sup> Such as the Financial Planning Education Council in Australia <http://fpa.com.au/education/financial-planning-education-council-fpec/> or the Institute of Banking and Finance in Singapore <https://www.ibf.org.sg/Pages/Home.aspx>

<sup>7</sup> Such as medicine, accounting, law and engineering.

Professional bodies operating in banking are cognisant of some of the issues highlighted above and some are undertaking work to address them. Such actions may, however, be constrained by issues of capacity and coverage. The sector is hugely varied in size – ranging from under 4,000 members to over 150,000 globally – and often focussed on a very specific segment of the diverse banking sector that they have successfully carved out, with little overlap from other bodies. The ramifications of this can be found in all of the challenges highlighted by the research; initiatives by an individual professional body are, for example, unlikely to have a significant impact beyond that professional body's market segment, meaning that cross-sectoral issues may be exacerbated and opportunities missed.

Collaboration, coordination and, where possible, simplification, therefore, would appear to be the key ingredients for success in ensuring that professional bodies can play as full a role as possible in raising standards across the sector. Also crucial, however, is that any changes will require the strong engagement and support of both the professional bodies themselves and the banks and building societies whose staff are (or might be) their members.

The research undertaken by the University of Leeds indicates an interest and willingness on the part of both firms and professional bodies in the sector to explore what more might be done to strengthen professionalism in the sector; in particular, in the context of qualifications and the role of professional bodies.

To help facilitate concrete steps in this direction, the BSB proposes to establish a sector-wide working group early in 2017. This working group will include BSB member firms, professional bodies in the banking sector, other training/qualification providers and subject matter experts. It will explore how the challenges identified in this research can most effectively and pragmatically be addressed, working in this context with other bodies with an interest in this area, and will develop proposals for broader consultation.

If you would be interested in being involved in this work, please get in touch with us (ideally, by 16 November 2016) at [professionalism@bankingstandardsboard.org.uk](mailto:professionalism@bankingstandardsboard.org.uk)



# Exploring the role of professional bodies and professional qualifications in the UK banking sector

# 1 Summary

The research set out in this report explored whether and how the role of professional bodies could be strengthened in order to promote higher standards of behaviour and competence across the industry. This research aimed to build an evidence base (with respect to both firms' use of qualifications, and views on the role of professional bodies) to inform potential next steps. A range of views were sought from a number of sources, including a desk-based review of existing materials, responses to an online survey, and 53 interviews with individuals from banks, building societies, professional bodies (both within and outside of banking) and other key stakeholders.

The headline finding is that the potential exists for professional bodies to play a significant role in raising levels of competence and ethical behaviour in the sector.

There are, however, five key cross-sector challenges that need to be addressed if this potential is to be fulfilled:

- 1. The low profile of professional bodies within the banking sector currently:** The general view across banks and building societies was that professional bodies, and in particular the qualifications on offer, have poor visibility and are poorly understood, and there is not a consistent view across the sector that professional bodies are playing a valuable role.
- 2. The need to establish banking qualifications, or a tiered framework of qualifications, which give (and are recognised to give) a thorough grounding in the fundamentals of banking:** There was a broad consensus that qualifications in banking fundamentals (both on entry to the profession and at higher levels as responsibilities increase) would be valuable and desirable for employers, employees, regulators and wider society in delineating the core competencies required of a role in banking. However, there was an equally clear consensus among banks and building societies who were surveyed that such qualifications do not currently exist.
- 3. The fragmentation of the professional body sector, including fragmentation in qualifications and a lack of clear pathways and links to career progression within firms:** There are over twenty bodies who provide a range of professional body services to the sector, offering a plethora of qualifications. While there is relatively little overlap between them, banks and building societies find it hard to get a clear view on the range of qualifications available, the pathways between them and to judge their relative merits.
- 4. The relationship between banks / building societies and professional bodies, which is one of 'customer and supplier' rather than of partners forming a 'community of interest':** The current relationship between banks / building societies and professional bodies drives an imbalance of power between the two parties in this relationship, which potentially limits the professional bodies' ability to act as genuine partner organisations to firms, providing both support and constructive challenge, particularly on issues of ethics.
- 5. The lack of a recognised and clearly defined role for professional bodies beyond the provision of qualifications:** While it appears that the banks and building societies currently see banking professional bodies as primarily purveyors of qualifications, the professional bodies themselves reported that they would like to be valued for a broader range of activities. Despite this, there was a strong perception amongst respondents from banks and building societies that professional bodies do not contribute meaningfully to raising ethical and behavioural standards.

## 2 Introduction

This report has been prepared by the Inter-Disciplinary Ethics Applied (IDEA) Centre at the University of Leeds. It summarises the results of a research project that was carried out between November 2015 and May 2016, in partnership with the Banking Standards Board.

In this introduction we will set out first the context for this specific piece of additional research, and the general direction indicated by the findings of that research. Then we will briefly outline the methodological nature of the research and set out the general structure of the report.

### 2.1 The context for the research

Following the financial crisis of 2008-9, and the perceived role of the banks and building societies<sup>8</sup> as at least one of the central parties to that crisis, the Parliamentary Commission on Banking Standards (PCBS) in 2013-14, and then Sir Richard Lambert's Banking Standards Review in 2014, considered what might be done to address some of the issues in the industry that had contributed to their failings in the crisis.

One result of these deliberations was the setting up of the Banking Standards Board, with a remit to promote high standards of behaviour and competence across the UK banking industry. The current research aims to inform that activity by exploring in more detail some suggestions made in the PCBS and Lambert reports as to how standards might be raised, in particular a possible role for professionalisation as well as regulation.

On the regulatory side a good deal of thought and energy has been devoted to putting in place a revised regulatory framework for the industry. However, the regulators have themselves recognised the limits of regulation in addressing matters of culture within the banking sector. As one of our interviewees (from a firm) put it: *'Up until now they have been policing..... which is a role that was probably required given that .... we'd gone off the rails. [So we have] been disciplined and brought back in again. The signs that I'm now seeing from my interaction with some of the regulators, [are] that they're ... starting to shift a bit [towards professionalisation] which is, "you know what, we can't police you on absolutely every single person for every minute of every day. That's your job, organisation."'*

At the same time, evidence to the PCBS, and then to Lambert, from both banks/ building societies and professional bodies, had suggested a possible role for the professional bodies, as one way to supplement the contribution of regulation.

Thus the Certification Regime (CR) has now put in place an environment that might be a catalyst for a positive change in levels of both technical competence and ethical behaviour. And, in line with these suggestions in PCBS and Lambert, this may represent an opportunity for professional bodies to make a contribution. However, there is a risk that this opportunity could be missed if it is not taken up in the right way.

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<sup>8</sup> As the title indicates the focus of this report is on professionalism across the banking sector, and the terminology of the report often refers explicitly to both banks and building societies. However wherever for stylistic reasons only 'bank' or 'banking' is used the whole sector is to be understood unless there is an explicit distinction drawn at that point between the two parts of the sector.

In the context of both the PCBS and Lambert reports and now the action of regulators, our research aims to take a step back in thinking about how (or if) professional bodies could step up to produce better outcomes for banks and building societies, and the individuals employed by them.

## 2.2 The direction of the research

The research confirms that professional bodies want to play a greater role in the sector. It also indicates that banks and building societies would welcome them doing so. The industry recognises that there are issues that need addressing and it can see that effective professional bodies might have a role in addressing them. However, the research also shows that the firms perceive that there exist several barriers to an effective intervention by professional bodies, and some of these perceptions are endorsed by the professional bodies themselves. These barriers include a high degree of fragmentation amongst the professional bodies, a low profile for the banking professional bodies, and a greater emphasis by professional bodies on technical competence than on matters of ethics and culture. And partly for these reasons the firms do not see the professional bodies as providing helpful support with regard to addressing the demands of the Certification Regime.

In the light of these barriers there is a significant risk that the current opportunity may be missed if there is only unilateral action by individual professional bodies, with each body pushing out 'products' without sufficient thought to the outcomes the sector would want. The risk here is that this will only increase fragmentation and clutter in what is an already cluttered space, compounding the industry's dissatisfaction with what professional bodies can offer.

The identification of these barriers and associated risks justifies a need to examine a potential coordinated response from the professional body sector. In particular, what may be needed from banking professional bodies, at least in the eyes of the industry, is a more developed and ambitious vision of their roles, especially in terms of how they can contribute to enhancing the ethics and culture of the firms in which their professional members work. In developing such a vision our research points to the value of comparisons with professions in other sectors which can provide pointers towards instances of good practice.

One particular issue may be that from the firms' point of view it is not more qualifications but gold-standard qualifications that are needed. Here there is a 'chicken and egg' problem: professional bodies need to improve their qualifications to 'gold standard' to get buy-in from the industry, but one of the requirements for qualifications to have gold standard status is that they be taken seriously by the firms. It might be that there is a role here for an umbrella/canopy body to help overcome this 'chicken and egg' problem. This could involve the canopy body helping to coordinate the activities of the professional bodies, and set external standards for them to achieve, whilst simultaneously promoting those bodies (suitably accredited) to the industry. The interviews with both firms and professional bodies lent support to this idea.

On this view of the role of professional bodies in professionalisation, the canopy body could act with both professional bodies and firms to address some of the barriers noted above. It could help to bring about coordination rather than fragmentation, contribute to quality control (possibly involving some auditing role as well), and nudge both firms and professional bodies into more effective interaction.

## 2.3 Research outline

In very broad outline, the research had three stages:

An initial, desk-based research stage: a survey of relevant literature aimed at gaining an understanding of the state of play with regard to professionalism in banking and at defining the background against which the further two stages of the research would take place.

An online survey stage, taking in both firms and banking-related professional bodies, aimed at identifying broad trends in their views.

An interview stage, taking in more in-depth views from (a) banks and building societies, (b) banking-related professional bodies, (c) non-banking-related professional bodies and (d) other important stakeholders in the financial services sector.

The methodologies for the three stages are set out in Appendix A. Results from these three distinct stages are presented alongside each other in the main body of the report for ease of interpretation. We have pulled out a set of central findings – a headline finding and five key issues – which we think represent the most important themes arising from the research.

## 2.4 Structure

In what follows we begin by providing some definitions, for the purposes of this report, of key terms related to professions and professionalism. We then set out the report's headline finding and identify five key issues that need to be addressed in relation to that headline finding. In the following section we set out the detailed results of the research, which are presented thematically -- first with respect to views from the firms and the banking professional bodies and then with respect to the results from our interviews with non-banking professional bodies. Inevitably there are some overlaps between the themes, but we have endeavoured to cross-refer where quotes are being used in two contexts.

Following this latter section, we outline two models (from other professions) for the relation between professions and the sector in which they operate, the canopy model and the hospital model. We also draw on the results from non-banking professional bodies to develop the notion of a professional body as a community of interest, which may also be of use in envisaging the engagement of banking professional bodies with their industry. Finally, we provide a brief summary conclusion.

## 2.5 Definitions

In order to resolve potential ambiguities in the way some of the central ideas in the research are described, it will be useful to set out some definitions of key terms, as they will be used in this report and in the research generally.

The English word '**professionalism**' carries considerable ambiguity and can be understood in several senses (see the next section for a discussion of some of these). The focus of this research is not primarily on whether banking is, or should be, 'a profession', but rather on the extent to which the various structures, institutions and attitudes that characterise the established professions are in place, whether they could be put in place, and what effect this might have. In order to avoid ambiguity, we have used the term '**professionalisation**' to refer to the state of these structures, institutions and attitudes being in place, and to the process of putting them in place.

**Professional standards** incorporate both **ethical standards** and **standards of (technical) competence**. Ethical considerations apply to standards of competence, because clients and the

public have a right to expect that professionals adhere to standards of competence as well as to ethical standards. However, we take ethical standards to be distinct from standards of (technical) competence.

Secondly, there are also ambiguities around the use of the word '**standards**', and we have applied the following definitions in order to avoid these ambiguities as far as possible.

**Ethical standards** are the ethical norms applying to the behaviour of professionals, including such considerations as the proper treatment of clients, the public interest, honesty, integrity, confidentiality, responsibility and so on.

**Standards of competence** are the norms which apply to the technical knowledge and skill possessed by the professional.

When referring to the competence or ethical behaviour that is currently to be found in the sector, as distinct from the norms that apply to that competence or ethical behaviour, we have used the terms **levels of competence** and **levels of ethical behaviour**.

Finally, our research took in a large number of professional bodies and in order to make sense of the results it was necessary to place them into categories, according to the extent to which they are involved in and focused on the banking sector. We have used the following terms to refer to these categories:

**Banking professional bodies** are those bodies, either all of whose members, or the great majority of whose members, work in the banking sector.

**Banking-related professional bodies** are those bodies which have significant numbers of members working in the banking sector. This category includes the banking professional bodies, but also includes a number of bodies, only a minority of whose members work in banking, but where this minority still represents a significant portion of their membership.

**Non-banking related professional bodies** are those bodies with either no members in banking, or only a very small minority. They are included in this research not because of any involvement they may have in the banking sector, but for the purposes of providing insights into other professions as a comparison from which lessons might be learned and applied in banking.

## 2.6 Professionalism in banking

The claim that 'professionalism in banking has been in decline in the UK' could be interpreted in a number of different ways, because the word 'professionalism' in English has a number of related but distinct meanings. A relatively simple sense of professionalism is the one we are employing when we talk of someone 'doing a professional job' or 'acting professionally'. Really, anyone engaged in any kind of work could be described as being professional in this sense and, conversely, could be accused of being unprofessional. A 'professional' plumber, taken in this sense, turns up on time, takes pride in the quality of the work, does not try to charge more than is reasonable, and tidies up when the job is done. An unprofessional actor does not learn his lines, or misses his entrance because he is in the theatre bar. 'Being professional', in this sense, is essentially a matter of doing the job well, of not falling short of the basic standards that are expected of someone doing that job.

A second sense of professionalism goes beyond this, by identifying one of a number of spheres of paid activity that are qualitatively different from ordinary jobs. These spheres of activity are characterised by a number of different aspects of the work itself, of the knowledge and skills required to do the job, and of the relationships involved. Classically, professional work in this sense involves a relationship between a professional and a client, which is characterised by an asymmetry



of knowledge and understanding between the two parties, a potential for the work to have a profound impact on the wellbeing of the client (and perhaps also on the wider public) and a corresponding need for the client (and the public) to place a high degree of trust in the professional. People who see themselves as professional in this sense will have a sense of responsibility to their clients which goes beyond that involved in a merely transactional relationship, requiring that the professional act in the best interests of the client, and show sensitivity to other ethical norms which the nature of the role makes particularly pertinent. They will also, ideally, have a sense of a wider responsibility to the public interest, born of an understanding of the social purpose of their work.

A third sense of professionalism applies to areas of work which, because they have the characteristics noted above, have certain structures in place in order to better serve the public interest and justify the public's trust. The central organisation in such professions is the professional body. This body usually has some role in regulating the profession - though there may also be a separate regulatory body - by overseeing a code of ethics and disciplining those who breach the code. They will also have a role in setting the criteria for entry to the profession (for example through overseeing or accrediting professional qualifications), setting requirements for professionals to keep their knowledge and skills up to date through continuing professional development (CPD), often providing advice and guidance on technical and more broadly professional matters, and playing a thought leadership role, speaking on behalf of the profession and articulating what is at the cutting edge of thinking on technical and more broadly professional issues.

It has become a widely held view that professionalism in the banking sector, at least in the second and third senses above, and perhaps also in the first, has been in decline for some time. In their submission to the Parliamentary Commission on Banking Standards, the IFS School of Finance noted that:

Until the end of the 1980s there was an important understanding that if somebody was serious about a career in a bank, he/she would have to 'do their banking exams'. [...] Take up of traditional banking qualifications has slumped in the last 20+ years.<sup>9</sup>

Many of our participants expressed similar views, and noted the change that they had witnessed as the banking sector moved from a culture in which possession of a banking qualification was the norm to one in which it was the exception:

*There used to be something called the Chartered Institute of Banking [sic] on Lombard Street and you had to get to an associate level within the first few years of your career to be able to stand a hope of actually becoming a banker and doing what bankers do. And I think that initial three to four-year period where you had to sit exams... in fundamental areas that frankly you ought to understand before you do any sort of banking... I think maybe the banking industry lost its sense of purpose and took its eye off the ball in that... I don't think that early stage recognition of what you had to do to qualify to be called a banker [has been as] prevalent in perhaps the last fifteen to twenty years. And that's a real shame.*

An interviewee from a bank or building society made a similar comment:

*I think it's probably fair to say if we go back to when I joined the industry 26-27 years ago, it was expected to actually do your banking exams if you wanted a career. If you just wanted to come in and do a good job, and go home at 5 o'clock, then it's fine, but if you actually wanted to go to operations and management, then it is expected.*

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<sup>9</sup> PCBS Vol. 2, p. 295.

Another interviewee from a bank or building society explained:

*That was the thing you did. If you wanted to progress up the management structure you had to get that professional qualification. I suspect that started to disappear probably in the early- to mid-nineties. It became less and less important for people to have that professional qualification and disappeared I guess certainly by the end of the nineties when it just wasn't an issue that people talked about. There were three principal reasons that happened in my mind. The first was that building societies were aping [copying] the banks. They thought that was the route to success... as we saw with a number of examples it wasn't necessarily. Banks seem to think that you don't need to be professionally qualified to make lots of money and sell things to people. It all became about sales... and growth and profit etc.*

The interviewee's third reason, which also reflected the view of some other interviewees, was his/her perception that some professional bodies had moved away from a focus on providing professional qualifications to "selling products".

The Chartered Banker Institute in its submission to the Lambert report<sup>10</sup> likewise listed a number of explanations for the decline in the profile of the professional bodies, including a general change in banking culture from stewardship to sales; increasing career specialism, which has resulted in fewer generalist bankers with all-round experience; greater use of technology, which has reduced the demand (though arguably not the need) for professional judgment; and the search for cost efficiencies, for example by outsourcing activities linked to customer service and outcomes. There is also a widespread perception (exemplified by the interview quotation above) that bankers' ability to recognise and respond to ethical issues as they arise has also been in decline. This may be an *effect* of the decline in professionalisation (lacking the proper training and membership of a professional body, bankers lack a sense of themselves as professionals and hence lack ethical awareness) or a *cause* (the sense of banking as an ethical practice has declined, and interest in professional bodies has declined as a result) or both.

A particularly illustrative example of the link between professionalisation and ethical behaviour is that of Payment Protection Insurance (PPI) mis-selling. PPI mis-selling was neither in the client's interest nor in the public interest. Those directly involved in the practice were often doing so in response to very challenging sales targets which would have been difficult if not impossible to achieve without mis-selling, but they had no countervailing incentive which might have prompted them to put on the brakes. Moreover, the PCBS report's analysis of the PPI scandal<sup>11</sup> suggests that senior figures in banks were 'in denial' about both the extent and the unacceptability of mis-selling. If they are effective, professional bodies can make ethical responsibilities salient to their members in a way that they would not be if left to their own devices. One major argument in favour of professionalism is that scandals such as PPI might have been mitigated or even prevented if those involved had been subject to professional requirements, had received professional training (as opposed to 'sales and compliance training'<sup>12</sup>) and had thought of their duties in terms of stewardship rather than sales.

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<sup>10</sup> Lambert (2014), p. 23.

<sup>11</sup> Parliamentary Commission on Banking Standards (2013), pp. 88-95.

<sup>12</sup> International Academy of Retail Banking (2014), p. 2.

The story of decline noted above might appear to paint a somewhat depressing picture about professionalism in banking. However, this must be set against a sense of growing momentum around the idea that professionalisation represents an important means by which levels of competence and ethical behaviour might be raised in the banking sector. This momentum was noted in the Parliamentary Commission report, which concluded that, 'Poor standards in banking and the public's response to them have generated an impetus within the banking industry to make proposals for professional banking standards,' and that, 'this impetus is welcome and must be harnessed.'<sup>13</sup>

### What is a profession?

An area of work known as a 'profession' typically has some or all of the following characteristics:

1. specialised skills and knowledge
2. a central relationship between the professional and the client, including a responsibility for the professional to act in the client's best interests
3. an asymmetry of knowledge between the professional and the client
4. the potential for significant impact upon individual clients and/or wider society
5. a crucial role for trust from both clients and the public, and therefore a need for the professional to justify that trust
6. a social purpose, often expressed in part in terms of a duty to act in the public interest
7. a period of training and study required to enter the profession, which is then ongoing
8. some degree of self-regulation by a professional body which sets technical and ethical standards and oversees members' adherence to them
9. a code of ethics
10. identification by a protected term (e.g. doctor, barrister)

There is an ongoing debate about whether banking should properly be considered a profession, and it is outside the scope of this project to answer this question. However, of the above characteristics, some (e.g. 1, 4, 5) clearly apply to banking, or at least to some types of banking, some (e.g. 10) do not apply to banking, and some may certainly apply to some aspects of banking, if not all (e.g. 2 and 3). In most of the other cases it is perhaps at least an open question whether they *should* apply.

Points 1-6 are aspects of the nature of the work, whereas points 7-10 are facts about the way a profession is structured and regulated as a result of, or in response to, the nature of the work. Without seeking to answer the question of whether banking is a profession, it could be asked whether some or all of the structural and regulatory points would be justified by those points about the nature of the work which do apply. If so, then professionalisation in some or all of these ways is likely to be a fruitful approach in banking.

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<sup>13</sup> PCBS (2013) p. 306

The view that professionalism is an important driver of both competence and culture, and even that it may be the key to restoring standards in the banking sector, is widespread both within and outside the sector. This view was expressed strongly by the Institute for Chartered Accountants in England and Wales (ICAEW) in their submission to the Parliamentary Commission on Banking Standards under the heading ‘banking must become more like a profession’:

We believe that the professional model is needed to restore public trust in banking and is a realistic ambition, but that banking has become more aggressively commercial and as a result, professionalism has been eroded. The professional model recognises that there is a public interest in high standards of competence and behaviour in certain activities, particularly those involving services based on specialist expertise. Although banking has not been seen as a profession for some time, it shares these characteristics. Furthermore, it should be in the enlightened self-interest of professions to strive for the highest standards, because that leads to better long-term decisions and more sustainable businesses due to better customer satisfaction even if it reduces short term profitability. To achieve this in banking will require collective action.<sup>14</sup>

Our interviews with non-banking professional bodies were also characterised by enthusiasm for the ‘professional model’ and its capacity to raise levels of ethical behaviour in banking. Several interviewees expressed interest in the work of the Banking Standards Board (BSB) in this regard and a desire to be kept involved in the future, should the BSB decide that professionalisation is the way to go. Furthermore, the UK’s professional body sector contains a huge resource of intellectual capital and experience (not limited to those bodies we interviewed as part of this research), on which the BSB can draw. The interviewees from banking-related professional bodies, for their part, were aware that professionalism and the professions are on the governmental and regulatory agenda, and showed a keen interest in the work of the Banking Standards Board in this regard. One of our interviewees from a banking professional body stated that their professional body was moving from being a training provider to being a professional body in the fullest sense:

*In the early years we were predominantly an organisation that awarded qualifications and training. But because of changes in the industry, the focus very much more on ongoing learning and CPD and so on, we’ve changed very much. We anticipate that our membership will probably triple or quadruple in the next year.*

A bank or building society interviewee commented:

*I think if it [the banking/building society sector] doesn’t now [suggest a greater role for professional bodies] it never will, after what’s been going on in the last few years.*

It will be interesting to see whether these and other predictions of increased professionalisation in the banking sector are fulfilled. There does appear to be a certain momentum currently. However, without concerted action to sustain and capitalise on this momentum, it is unlikely to last indefinitely.

The research summarised in this report contains information that we hope will be useful to the Banking Standards Board in fulfilling its own role in taking the professionalisation agenda forward.

Our headline finding is that the potential exists for professional bodies to play a significant role in raising levels of competence and ethical behaviour in the sector. However, a lot of ground has to be

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<sup>14</sup> ICAEW (2014), p. 2.

covered before significant results are likely to be seen, and there are a number of key issues that will need to be addressed. We have summarised these under five headings:

1. The low profile of professional bodies within the banking sector currently.
2. The need to establish 'gold standard' status among banking qualifications.
3. The fragmentation of the professional body sector, including fragmentation in qualifications and a lack of clear pathways and links to career progression within firms.
4. The relationship between banks and professional bodies, which is one of 'customer and supplier' rather than of partners forming a 'community of interest' among bankers.
5. The lack of a clearly defined role for professional bodies beyond the provision of qualifications.

In the next section we set out in more detail what we mean by each of these, with examples from the research.

### 3 Central findings

#### 3.1 Headline finding: The potential exists for professional bodies to play a significant role in raising levels of competence and ethical behaviour in the banking sector

We spoke extensively to representatives of banks and building societies and of professional bodies. We found that, although the professional bodies in banking currently have a low profile (see issue 1 below) and a number of problems which will need to be resolved, there was general agreement that professional bodies have an important role to play. There were also some fairly clear ideas about what needs to be put in place in order for the professional bodies to become more effective in playing that role, but recognition that this will take some effort and care to get right.

As one respondent from a bank or building society said:

*It depends on what really. They need to clearly meet the demand side of need from individuals within banks and building societies and the organisations possibly ultimately paying for those. That might be in the form of qualifications or it might be in the form of a softer sense of belonging. Through the outlook of CPD or just functional networking and understanding best practices across the sector. I think there is definitely a role for professional bodies which could possibly be enhanced.*

There was a consistent call from bank and building society representatives for a ‘gold standard qualification’ in banking (see issue 2 below). Clearly this implies that such a qualification (or set of qualifications) does not exist currently. However, although there was some dissatisfaction within banks and building societies about the standard of qualifications currently available, the main message from these interviews was that the market in banking qualifications is currently fragmented to the extent that banks and building societies find it difficult to judge the quality of banking qualifications, or even to understand what is on offer (see issue 3 below).

As one interviewee from a bank or building society said:

*That’s disappeared, yeah [working to a particular professional qualification]. Because the route through is now so complex, it’s not really something that people have a look at very much.....*

*..... Because I became very disenchanted with what was on offer from [name of professional body], we use them for those qualifications we have to use them for .... Then for our other people we’re tending to put them through more practical based development like NVQs [National Vocational Qualifications].*

Another interviewee from a bank or building society commented:

*Because I’m pretty sure that all 19 of them [professional bodies in the banks and building societies sector] are for something. They are bespoke and useful and additive in terms of an individual’s skill-set. But we as an organisation can’t validate all 19 of them, otherwise that would be someone’s life’s work to do so.*

Many of our interviewees looked back on the days when banking qualifications were an expectation for anyone who wished to work in banking, as an era of greater probity and trust.

The sector may now have advanced and diversified to the point where a single banking qualification modelled on the old Chartered Institute of Bankers qualifications is no longer appropriate. However,

there does appear to be a general sense that something valuable has been lost here. More fundamental than a qualification as such, what has been lost is perhaps the expectation that bankers will need to demonstrate a solid grounding in the fundamentals of banking if they are to progress in the industry.

As a senior interviewee from a bank or building society said:

*And I'm a bit... old-school because I think that the [situation] as used to be [with] the Chartered Institute for Bankers' exams, taking people through that, just getting the very basics of understanding what their job is, but more than that, a good understanding of balance sheets, profit and loss accounts and all those things that go to delivering sound understanding of how a business like ours is structured. I think it's a very important piece of armoury that people should have.*

A reinstatement of this expectation, albeit on a model that reflects the needs of the modern, diverse sector, is likely to find considerable support, particularly among senior bankers. Note, however, that the capacity for support of this kind is limited by the presence of people in the sector who remember the old regime. When these senior bankers have retired, re-establishing professionalisation in the sector will be more difficult.

It is also noteworthy that those professions which are still well-established (e.g. law, accountancy) appear to be highly valued within the sector, which suggests that there is value placed on the professions in general, and potential for the banking professional bodies to become equally well respected if they become more established.

A key aspect of professionalism which is generally thought to have been lost, and to which there is reason to believe bankers would welcome a return, is the status of professions as constituting 'a community of interest'.

For some in the banks and building societies this is connected to taking pride in what one does:

*There'll also be people in that group [mid-level leaders] who would be advocates (for professional body membership) because they see it as an investment in them, they see it as being like, 'I want to feel proud again, I want my people to feel proud, I want my family to feel proud and I don't want to be embarrassed [to be a] banker – [so] how do I help make that difference?'*

Individuals who are members of a successful, established professional body have an opportunity to share ideas and best practice which is not necessarily driven by the commercial pressures inherent in their relationship with their employer. Professions can provide an alternative 'lens' through which to view the work of banking. Through this lens considerations such as the client's best interests, and the wider public interest, can become salient in a way that they would otherwise not be.

Whilst reasons were given, then, for the firms to be receptive to professionalisation, we found also that efforts are already being made by professional bodies to become more than just providers of qualifications. One substantial development that is already underway is the move to a robust, substantial, and monitored continuing professional development requirement for members. CPD is the means by which professionals keep their knowledge and skills up to date, but it can also act as a consistent reminder of the values and principles underlying professional work. However, whilst efforts are certainly being made here, there is still significant work to be done as a comment from a bank/building society interviewee suggests:

*So for instance I'm a member of two institutes, both of which require me to do CPD, and I do do some. But neither in the last 20 years has ever checked if I do.*

We also found that professional bodies would like to have a role in overseeing ethical standards and reinforcing levels of ethical behaviour in the sector. They are currently limited in this regard by their lack of a clearly defined role and the powers to fulfil that role (see issue 5 below). And again some bank and building society interviewees noted that there was some way to go on this:

*When I looked at it I thought 'are the institutes [the] people to tell us about ethics? Do they have a particular expertise in ethics?' I'm not saying they're bad. But if one day, I wanted to do a study on ethics, where would I go to? Would it be my professional institute? I'm not sure it would be. I'm not saying they're being unethical, but are they the experts on ethics? I'm not sure they are. At the moment anyway. If I wanted to get to grips about ethics I might come to a university like yourselves and a department that specialises in it.*

Nonetheless, there is every reason to think that a role could be defined which the professional bodies could effectively fulfil. And many interviewees from banks and building societies emphasised their receptivity to this:

*I think they [professional bodies] could and should play a greater role [in the sector], yes....*

Another said:

*My view on that is, in terms of ethics and culture, prof quals can have a part to play....*

Professional bodies were also aware that the introduction of the certification regime, whereby individuals must be accredited as suitable persons to fulfil their roles, presents an opportunity for the model of all-round professional education as opposed to discrete, targeted training. A gold standard qualification, or qualification framework, which linked to the regime and was recognised by the regulator as doing so would be another boost to the profile of professional bodies. Some of the bank and building society interviewees were enthusiastic about this:

*My second thought is; how does it supersede what the regulator is asking us to do? What could a professional body take away from the regulators and make simpler? Because we get massive overlaps with this regulator wanting this and that regulator wanting that. It's actually the same stuff - they just want different formats or an answer to slightly different questions. We've spent a lot of time reporting to a regulator. So if a professional body could simplify that, to say 'the regulator's here to do this and the professional body's here to do this, and if you adhere to the professional qualification framework, that gives you the really good best practice methodologies and proofs that say that your people are hitting this standard and requirement' that you can then report to the regulator then that would be great.*

And in line with this some firms recognised that they could do more to align progress through the organisation to the gaining of professional qualifications.

*One thing we could do is revisit our policy on how people can progress within the organisation. Having a clearer view. We've employed a lot of apprentices, most of them have moved on to full time permanent roles. I think we need to be saying to them 'your next step is...' and that step is a professional qualification. I think we could set an example there.*

The potential, then, is there for effective professionalisation of the banking sector. However, there are at least five key issues which will need to be addressed before this can be achieved.



## 3.2 Key issues for professional bodies in the banking sector

### 3.2.1 Issue 1: The low profile of professional bodies within the banking sector currently

This issue has been covered to some extent in the introduction. But it is worth reiterating that the banking professional bodies currently have a low profile in the sector, both in the sense that they have poor visibility and are poorly understood, and in the sense that there is not a consistent view that they are playing a valuable role.

There are a number of indications of this arising from our research. One is simply that banks and building societies were unable to give a clear account of their views on the professional bodies. Tellingly, the interviewees from banks and building societies were generally unaware of how many of their employees currently hold a professional qualification, and were only able to provide vague estimates with low confidence that these were accurate. Most reported that their organisation did not keep records of these figures, surely an indicator that they are not currently highly valued.

*Certainly across the group as a whole I have absolutely no idea. Which in itself says something.*

Another interviewee from a bank or building society said:

*The answer is I don't know, I'd be guessing. The reason I'm guessing is that we don't actually hold that information centrally so I'm not sure there's a way of me telling you that.*

We also found that the amount and type of support given to employees working towards a professional qualification is patchy and inconsistent. Professional bodies report that the amount of financial support, for example, is often dependent on the location of training budgets in the organisation: if there is a central fund for professional training, then support is more readily available. If it is left to line managers' budgets, then professional training often misses out as it is left to compete with other priorities. Often interviewees from banks and building societies reported that support depended on the extent to which the Professional Qualification (PQ) or CPD work aligned with the employee's role, for example:

*(Interviewer) Are you in a position... to allow people time off for study, pay for qualification or fund CPD work, etc.?*

*(Respondent) Those are probably in place, and the key criteria are the qualification needs to be connected with the role. It's fully funded and supported.*

One reason for the low profile of the professional bodies is the fragmentation of the sector and of the qualification market, which makes it difficult for bank and building society staff to understand what is available. Another may be that the culture of banks and building societies is currently such that professional education is not seen as a good investment. Firms are focused on technical skills, in which arena the professional bodies are merely one provider among many. They are also focused on regulatory compliance, as evidenced by the burgeoning compliance industry, but this is not the same as the ethical understanding and reasoning skills that an effective professional education can confer.

### 3.2.2 Issue 2: The need to establish 'gold standard' status among banking qualifications

There was a clear consensus arising from our interviews with banks and building societies that a 'gold standard qualification' in banking does not exist currently. As one interviewee put it:

*For leaders to see qualifications as valuable again we need to have absolute confidence in the quality of the qualification and it needs to be clear how it works and the advantages of it. For individuals it needs leaders to say 'if you want to get on in this business you've got to follow one of these routes'. One obviously follows the other. Until we're completely confident that the qualification is the right one, then we won't be making it part of the requirement to progress.*

And another respondent noted:

*[This does make the situation] a bit 'chicken and egg'. Until it's established and this is how you do things, it's not valued. You can't get the value until it's established. It would have to be something pretty clear cut and useful and 'this is the way to do it' and backed by the regulator, and what kind of business benefit would you get out of it in order for people to take it on.*

Equally, there was a clear consensus that such a qualification would be valuable and desirable.

*Sure. I think that if a professional body were to create a gold standard for compliance and conduct and ethics, then that would be very positive....*

Or as another put it:

*So maybe another way to look at it is, because I do see ... the benefit of that... That would be a kind of health check, it would be a sort of... kitemark.*

The good news for the professional bodies is that a great many interviewees thought that bankers ought to have a solid grounding in the fundamentals of banking, which could be achieved through some form of banking qualification or, perhaps more likely, through a tiered framework of qualifications which would contain some common, generalist content alongside specialist content for people working in different areas of banking and occupying different roles within those areas. Both the general and the specialist content would need to be relevant, informed and up to date. By including general content alongside specialist content in this way, it would be possible to avoid a situation in which bankers are made to gain substantial amounts of technical knowledge that they would not then apply in their jobs (a problem which was reported even of the fondly remembered Chartered Institute of Bankers qualifications). General content could include such subjects as the history of banking, the social role of banks, and perhaps the status of banking as a profession, the fundamental financial facts about how banks work (and some account of key concepts such as risk), along with the values and principles underlying and informing banking activities, including the responsibility of bankers to work in the public interest.

*My view, and I've had a career in banking, would be that generally as you embark on that career you would ideally take some qualifications which are quite wide ranging. Gradually you would find your area of expertise and as you progress would become more specialised.*

(professional body interviewee)

*....to know that there was a universal understanding of the nature and context of banking, and that was well understood and the purpose of banking in society, combined with a really*

*thorough understanding of conduct and the responsibilities around that, I think that as an entry into an organisation knowing that was a commonly held view, could be very powerful.*  
(bank/building society interviewee)

Aside from allowing bankers to do their jobs more effectively, one advantage of a 'gold standard' qualifications framework would be that banks and building societies would be able to benchmark their employees, and would have a clear idea of what could be expected from a prospective job candidate in terms of knowledge and skills. Bankers would know that they were working towards a qualification that would be genuinely transferable, and which would set them up for a career which might take in a number of different organisations. A 'gold standard' qualification might also allow banks to become less reactive and compliance-focused in their response to regulation. Bankers with an all-round professional education might be expected to be more aware of and responsive to ethical issues rather than focusing on complying with the letter of the law.

As another interviewee from a bank or building society put it:

*There is an underpinning... to be a Chartered Accountant you have to be qualified and everybody knows it's really difficult to do it. It doesn't mean to say that people who are Chartered Accountants can't behave unethically because they do. But it provides a level of confidence that at least they're starting from a position where they ought to know what they're doing because they've been assessed as competent. I do think that works.*

A 'gold standard' status would also help to establish the concept of the professional banker in the mind of customers, raising the profile of professionalism and leading the public to have enhanced expectations of, and respect for, the services being provided by firms and their employees.

### 3.2.2.1 What is a gold standard qualification?

We have made considerable use already of the idea of a 'gold standard qualification'. If this is to be a useful idea, it is important to be clear as to what this idea has packed into it.

A number of features that a gold standard qualification must have are suggested in the quotes above. Some of these features are intrinsic to the qualification (or tier of qualifications) themselves.

- i) Gold standard qualifications are of a certain quality – this does not mean they have to be at a high academic level: they can be pitched at various levels, but they have to be challenging or demanding relative to the level at which they are pitched.
- ii) They provide individuals who have them with a) skills and b) a grasp of ethical concerns including matters of individual conduct and perhaps also of the social role of the firm, which are useful to the organisations in which those individuals work (in this case Banks and Building Societies), and/or the regulatory framework.

The features above help to ensure a certain kind of consistency. Firms can expect the same level of competence and understanding, including ethical understanding, in those who have the qualifications. They also provide a basis for confidence in the qualifications on the part of both employers and clients or customers.

However, even if one of the existing professional bodies were currently providing a qualification (or suite of qualifications) with the above intrinsic features, or were to introduce one, this qualification (or suite) would not automatically be gold standard, simply because to be gold standard a qualification must be *recognised* as gold standard. Without this recognition, the kind of consistency across a whole sector that is characteristic of a truly gold-standard qualification will not be achieved. This is where the 'chicken and egg' problem alluded to in one quotation above arises: in order to be

gold standard the qualification has to be established, and part of its being established is its being recognised as being gold standard. In the UK banking sector, this problem is greatly exacerbated by the extent of fragmentation in the qualifications market, and the difficulty firms have in telling good qualifications from bad, and knowing which would be most appropriate for their employees. Issue number 3 below describes these problems in more detail.

It may be that action by an external agency is necessary to address this ‘chicken and egg’ problem. By setting industry-wide standards for qualifications and monitoring professional bodies’ adherence to those standards, such a body could provide external assurance to firms of their quality, and help to establish industry-wide recognition of qualifications.

### 3.2.3 Issue 3: The fragmentation of the professional body sector, including fragmentation in qualifications and a lack of clear pathways and links to career progression within firms

As noted above, probably the most important reason for the low profile of the banking related professional bodies currently is the fragmented nature of the professional body sector and the qualifications market. There are over twenty bodies who provide a range of professional body services to the sector. While the majority of these are banking-related professional bodies, rather than banking professional bodies, the sector does appear crowded. Most of our interviewees agreed that there should be fewer professional bodies (although very few thought that a single professional body would be enough, citing the need to cater to a diverse sector and the value of healthy competition between bodies), or that at the very least there should be more coordination between them.

As already touched on above, banks and building societies consistently reported that they found it very difficult to get a clear view of the qualifications available, and to judge their relative merits. As one interviewee reported:

*Although I get ten to fifteen emails a day from providers of training, training organisations ... it's virtually impossible to pick out ... the variable quality of [these qualifications].*

Banks and building societies also reported that there was a lack of clear pathways among qualifications. While it does appear that some individual professional bodies have made substantial efforts to define such pathways -- at least within their own qualification offering, if not between qualifications offered by different bodies -- the message is clearly not getting through to firms. In particular, banks and building societies are finding it difficult to link the available qualifications to routes of career progression for employees.

*I think the institutes and bodies should be better at signposting what comes next. I think they say, ‘you’ve got it, we’re offering this next one,’ but the next one may not be the right one. It may be for a different body or speciality and you’re working your way through almost, not quite blindly, but if you’re looking at say nineteen bodies, after you’ve done that you’re best to actually go somewhere else. And I don’t think there’s that framework.)*

And another bank and building society interviewee commented:

*What would be quite helpful, I think, and this would be value added rather than what we need to do, is probably having done some of the joining up for us. So how does your qualification connect to what the FCA [Financial Conduct Authority] is talking about right*

*now? What does it mean in connection to SMR [Senior Managers Regime]? What does it mean in connection to the [certification] regime?*

Both banks and building societies and professional bodies reported that they would welcome external support in validating qualifications linking them to an overall framework, and at least one had initiated a process of external validation for their own qualifications, working in concert with a particular professional body and a University. But there is a desire for a more general solution, so perhaps rather than a reduction in the number of professional bodies, some overarching external support and coordination would solve the fragmentation problem and bring coherence.

*I'm not sure what the entire range of nineteen [professional bodies] looks like and if they've all got credible competing offerings in the market then those that were the stronger were to survive and maybe receive their Banking Standards Board's seal of approval .... I'm sure that would help so that they're accredited or authorised or sanctioned or approved by Banking Standards Board. That might be a way to go. (bank or building society interviewee)*

### 3.2.4 Issue 4: The relationship between banks and professional bodies, which is one of 'customer and supplier' rather than of partners forming a 'community of interest' among bankers

A consistently emerging theme, found in the interviews both with professional bodies and with firms, was that banks and building societies see banking professional bodies as essentially suppliers. As in any relationship between customer and supplier, there is therefore an imbalance of power between the two parties in this relationship. Professional bodies consistently reported that their focus was on identifying the needs of banks and building societies and then seeking to tailor their offer to meet these needs. While this is obviously desirable to some extent, it potentially limits the professional bodies' ability to influence firms, particularly on issues of ethics and culture.

It also contrasts with those sectors, such as law and accountancy, in which professions are more firmly established. In these sectors, there is a dialogue between firms and professional bodies, and professional bodies are seen as part of, and belonging to, the sector – 'our profession'. Our interviewees from banks and building societies did not see professional bodies in this way – professional bodies were seen as external to the sector, acting rather as a supplier to it. As one bank/building society interviewee put it:

*We've had conversations with X and Y [professional bodies] ... we spend ... money each year with them but a lot of it's transactional. A lot of it's, 'our people need to be qualified to meet the regulator, you provide the qualification, we put our people through it to pass it.'*

Not only this, but professional bodies were clearly in the position of needing to sell the idea of qualifications, and not just their own particular qualifications, to firms, a clear contrast to other sectors where the value of professional qualifications is taken as read. Professional bodies, when they spoke about engagement with banks and building societies, reported dealing with training or HR functions, and not with the 'C-Suite' of senior leaders at the very top of the organisation – an indication that they are seen as training providers rather than partner organisations with a shared purpose. Again this was captured by a bank or building society interviewee as well:

*I think there's just too many players in membership organisations, in training providers, I just think there's too many people and it does feel a bit more like it's a business ....*

An effect of this imbalance of power between firms and professional bodies is that professional bodies lack the power to define standards, whether of competence or ethics, which firms are then expected to aspire to. On the organisational level, professional bodies are unable directly to challenge banks and building societies which may be failing to live up to these standards; on the individual level, bankers are not inculcated with a set of values, priorities and expectations which are defined independently, and have standing outside the culture of their employer. The culture of the professional body cannot therefore act as a check on the culture of the employing organisation.

A key aspect of defining a professional culture is derived from the role of the professional body in serving the public interest. Keeping this ethical concept at the centre of the professional body's various activities allows them to give individuals an alternative lens through which to view the firm's activities – one defined by broader values than the shareholder value which is the firm's main focus. And several bank or building society interviewees recognised this:

*One of the things the banks have probably lost sight of is the public interest. Because it is so amorphous. Absolutely we're interested in our clients' interests, shareholders, regulators' interests, sometimes we stretch into our communities and their interests. This concept of public, when it's translated into systemic risk and taxpayers' money becomes a lot more real.*

For the professional bodies to provide such an alternative lens requires them to be engaged in active dialogue with members and employers. A 'community of interest' formed of the professional bodies, the employing organisations and individual members/employees, responsive to changes in the industry while maintaining a focus on foundational ethical ideas such as the public interest. A professional body interviewee noted:

*In sectors where there is a strong professional body, you'll find that that body also acts as a port of call for those individuals. So if they've got a problem with their employer or ethical standards... you'll find that they've got ethical advice lines to support them. In my experience that is not something you associate with the banking industry.*

### 3.2.5 Issue 5: The lack of a clearly defined role for professional bodies beyond the provision of qualifications

As noted above, it appears that banks and building societies currently see the banking professional bodies as primarily, if not exclusively, purveyors of qualifications. Despite this, we did find evidence that professional bodies would like to be valued for a broader range of activities. They are clearly trying to define their own role in several areas, but would benefit from an external steer, external support, and possibly also the kind of external validation that applies in other professions served by multiple bodies.

A bank or building society interviewee commented approvingly on the idea of a professional body with a wider conception of its role:

*... It would be absolutely amazing to have a professional body that was creating a much stronger dialogue collectively across the banks as opposed to financial services, what are we here for, how is it working, what are we struggling with. It creates a sense of belonging and unity that we're doing something useful that is worth talking about rather than being beaten by the regulator. The more we can get the dialogue out and start really helping not just other banks but society in general, I think there's a stronger sense created that reminds you of stewardship on behalf of society...*

On continuing professional development, several of the professional bodies are making moves towards a more robust oversight role, setting minimum CPD requirements and monitoring adherence to these, with the possibility that membership will be revoked if they are not met. One limiting factor here may be the worry that too onerous a requirement will make them unattractive to banking employees, a further symptom of the power imbalance noted above. And as noted above, it is also an area where banks and building societies are more sceptical of what is currently offered:

*It feels when you're writing the cheque for this that you're paying away a lot of money and not seeing a huge return for that. The CPD stuff that comes on offer is often quite mediocre. It feels like you get your eight credits by going to this conference, you attend the conference and you sometimes wish you hadn't. So there is something around, is this CPD really leading edge, is this high quality, is it really value for money?*

On discipline and the oversight of ethical standards, professional bodies appear to be very unsure of their role, a point which is reflected in the fact that they are perceived as relatively ineffective in contributing to levels of ethical behaviour and culture. A professional body interviewee acknowledged that their codes of ethics do not currently have the status within the industry to be the basis of robust ethical oversight:

*Essentially what you've got to do is get the employers to come together and agree a code which they will impose on their employees, a code of ethics, but which is run by someone who isn't them. The hard question is, would you sack an employee, that has broken a code that someone else has decided, and that you can't control.*

An additional (valid) concern here is around potential overlap with the role of the regulator, although professional bodies also appear to be unsure of the legal basis for any disciplinary action, and concerned that they might open themselves up to legal challenge. They also report that they lack powers to investigate cases of potential wrongdoing.

The answer may not be to give regulatory powers to professional bodies themselves, but to define a clear relationship with the regulator, perhaps using professional bodies as a means of finding out about cases which are then passed on to the regulator to deal with, with clear protocols for doing so. Clear channels and responsibilities around whistleblowing, reporting and 'speaking out' are key here. Either way, a dialogue between the regulator and the professional bodies, perhaps brokered by the BSB, will be necessary to identify a clear basis for future cooperation. One bank or building society interviewee commented on this in quite robust terms:

*... we have institutes, we've got a standards board, we've got a regulator, people go 'what the hell do they all do?' They need to lead together.*

On advice and guidance, the banking professional bodies issue guidance but tend not to have an advisory role operating through a helpline or similar resource. Again, it will be necessary to clearly define the parameters of their legitimate activity if they are to have this role in the future.

Finally, on thought leadership, it may be difficult for any individual professional body to speak on behalf of such a diverse profession. However, it may be possible, and valuable, for a 'canopy body' to bring together representatives of the various bodies and attempt to identify a consensus on key issues. One interviewee from a bank or building society put it this way:

*...you know on the Today programme when they have a representative of an industry on that speaks from an industry point of view but not in a lobbying way? Almost we don't have that in banking. We have the British Bankers' Association and they have a role to play, they're*

*clearly a lobbying group. It would almost be that body that speaks with clear professionalism on behalf of the banking industry...*



### 3.3 Table 1: Overview of banking-related professional bodies<sup>15</sup>

Professional body	Estimated number of members	Governance structure and charter	CPD requirements	Overseeing ethical standards	Advice and guidance
Association of Corporate Treasurers	Over 4,000.	Has an elected governing body: 'Council', which is accountable to members. Day-to-day management is delegated to the Chief Executive and Executive team. Has a Royal Charter granted in 2013.	Complete declaration, no set hours, sample testing.	Has a code of ethics. Cases are handled by a Committee of Investigation. Penalties include being struck off, having to pay costs, publication of decision.	'Speaking Up' policy, also case studies and briefings available. Ethics helpline.
CFA Society of the UK / CFA Institute	Around 11,000.	Has a Board of 14 members who are elected by members. The Board oversees a number of volunteer committees including a management committee. Does not have a Royal Charter.	(Only applies to those who require a statement of professional standing under the Retail Distribution Review (RDR))  Minimum 35 hours annually, of which 21 hours structured CPD.	Oversees a code of ethics and can take action in relation to the professional conduct of members. Governed by Disciplinary Review Committee.	Guidance on some specific issues including reporting and whistleblowing. There is a number to call to self-report potential violations, and advice on who to contact about reporting others.

<sup>15</sup> Please refer to Appendix A for details of how these organisations were identified

Professional body	Estimated number of members	Governance structure and charter	CPD requirements	Overseeing ethical standards	Advice and guidance
Chartered Banker Institute	Around 28,000.	Governed by a Council comprising Institute members and lay representatives, which oversees committees. Has a Royal Charter originally granted in 1976 (the Institute was established in 1875).	Requirements vary for different categories of membership but 35 hours per annum total including 5 hours professionalism and ethics in most categories.	Has a code of conduct which is mapped to the FCA's Conduct Rules. Independent Disciplinary Committee oversees procedures. Various sanctions available. Expulsions are rare.	Provides guidance to members on a range of issues. Resources available through the website including on professional ethics.
Chartered Institute for Securities and Investment (now incorporating the Institute of Financial Planning (IFP))	Over 40,000.	Has a Board of Directors – non-executive directors who are typically employed in senior positions in firms operating in the securities industry, elected by members for a term of three years. Has a royal charter granted in 2009.	(Recommended) minimum 35 hours annually, of which 21 hours structured CPD.	Has a code of conduct and a disciplinary process. Members are required to take an 'integrity test'.	They promote an external whistleblowing helpline but do not appear to have their own.

Professional body	Estimated number of members	Governance structure and charter	CPD requirements	Overseeing ethical standards	Advice and guidance
Chartered Institute of Credit Management	Information not available on website.	Has an Executive Board and an Advisory Council. The latter includes trade credit representatives, consumer credit representatives, international credit representatives, credit services representatives and regional representatives. Has a royal Charter granted in 2015.	No compulsory CPD but supported	Has a code of conduct and a disciplinary process.	As well as some guidance materials available through the website, runs a legal helpline and general guidance helpline.
Chartered Institute of Internal Auditors (CIIA)	About 8,000 in the UK and Ireland. Also part of the global IIA, which has 180,000 members in 190 countries.	Governed by the Council of Directors which is comprised of volunteer members and the Chief Executive and is accountable to members. The Chair of Council is the President and is elected annually by members. Has a Royal Charter granted in 2010.	No specific requirement for IIA members. Global Certified Internal Auditors report to IIA Global and need 40 hours pa. Those with Qualification in Internal Audit Leadership (QIAL) require 20 hours pa.	Code of good practice required to refer to public interest. Handled by disciplinary committee. Sanctions include reprimand, conditions on further membership, suspension and expulsion.	Publishes guidance – ‘130 odd pieces over the recent years’. No advice line.

Professional body	Estimated number of members	Governance structure and charter	CPD requirements	Overseeing ethical standards	Advice and guidance
Chartered Institute of Taxation	17,000.	Governed by a Council with 28 members. A 'lay public interest observer' also attends council meetings but is not a member. Founded in 1930 and has a Royal Charter.	Minimum 90 hours pa of which minimum 20 hours structured training. May be averaged over 2 years.	Oversees professional rules and practice guidelines. The body responsible for discipline is the Taxation Disciplinary board.	Members can email with professional standards queries.
Chartered Insurance Institute (CII)	Over 115,000.	Has a Representative Council and a number of boards, committees and panels. Has a Royal Charter granted in 1912.	Minimum 35 hours annually, of which 21 hours structured CPD.	Code of ethics and disciplinary procedures in place. Governed by the CII Disciplinary Regulations and Disciplinary Procedure Rules. Legally proven breaches are published.	Publishes guidance on a range of issues. Including guidance materials including on ethical issues e.g. conflicts of interest. There is also a guide to understanding and applying the code of ethics. No helpline for members.
Global Association of Risk Professionals	Over 150,000.	Has a Board of Trustees made up of industry representatives and one academic.	40 hours every two years. Recommended for Financial Risk Managers (FRMs), mandatory for Energy Risk Professionals (ERPs). Recorded and submitted through credit tracker tool.	Has a code of ethics but does not have a disciplinary function.	Provides guidance to members through the website but does not have an advice function.

Professional body	Estimated number of members	Governance structure and charter	CPD requirements	Overseeing ethical standards	Advice and guidance
<i>Ifs</i> University College <sup>16</sup>	Over 17,000	Incorporated by Royal Charter. Has a Board of Trustees made up of industry representatives and academics.	35 hours per annum mandatory for Chartered title holders and recommended for other members.	Has a Code of Ethics and a disciplinary procedure.  Sanctions include reprimand, conditions on further membership, suspension and expulsion.	Provides guidance to members through various channels.  Has extensive thought leadership output and online resource provision.
Institute of Professional Financial Managers	Over 10,000	Has a governing body: the 'World Council' with representatives from 12 geographies, including five council members from the UK.	None listed	None listed	None listed
Institute of Risk Management	Over 5,000.	Has a Board of Directors (industry representatives) which delegates responsibility for day-to-day management to the Chief Executive.	No compulsory CPD	Has a code of conduct and a disciplinary process.	Has extensive thought leadership publications and an online resource centre. Also runs a legal helpline.

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<sup>16</sup> *Ifs* University College changed its name to The London Institute of Banking and Finance in September 2016. At the time of conducting the research it was known as *Ifs* University College and therefore is referred to as such throughout this report.

Professional body	Estimated number of members	Governance structure and charter	CPD requirements	Overseeing ethical standards	Advice and guidance
International Compliance Association	Information not available on website.	Has an Executive Board and an Advisory Committee, which is made up of industry and academic representatives.	Minimum 15 hours	Has a code of ethics and a disciplinary committee. Members can be struck off. The committee handles 'probably about a handful a year' of cases.	Help and support offered by training but regional representatives as well as head office to contact.
Investor Relations Society	Approx. 800.	Has a Board (made up of industry representatives) and a number of committees.	Recommend 20 hours pa but not mandatory.	Has a code of conduct and the power to remove someone's membership if they had been found to have acted illegally or unethically, but does not have a dedicated disciplinary function.	Provides a 'Knowledge Bank' to members and an 'Ask the Board' service.
Personal Finance Society (affiliated to CII)	Over 100,000.	See CII.	Minimum 35 hours annually, of which 21 hours structured CPD.	Code of ethics is the same as the CII's code, and disciplinary procedures are also the same.	Ethics toolkit for Financial Advisers and four guidance documents. No helpline available.

Professional body	Estimated number of members	Governance structure and charter	CPD requirements	Overseeing ethical standards	Advice and guidance
Retail Banking Academy	About 3,000	Governed by a Council, which is an independent body whose members are elected by the Membership. Council Members act on behalf of the membership.	Minimum of 35 hours total CPD of which 21 must be structured and all must be evidenced.	Designated members are required to submit an annual declaration that they abide by RBA's Code of Ethics and Professional Conduct.  The RBA Council's Disciplinary body investigates complaints, carries out disciplinary action and handles appeals.	

### 3.4 Table 2: Overview of qualifications provided by banking-related professional bodies<sup>17</sup>

Professional body	Qualifications offered
Association of Corporate Treasurers (ACT)	<ul style="list-style-type: none"> <li>• MCT (Member of the Association of Corporate Treasurers) Advanced Diploma in Treasury, Risk and Corporate Finance</li> <li>• AMCT (Associate Member of the ACT)</li> <li>• Certificate in International Cash Management</li> <li>• Certificate in Risk Management</li> <li>• Certificate in Corporate Finance and Funding</li> <li>• Certificate in Financial Maths and Modelling</li> <li>• Certificate in Treasury Management</li> <li>• Certificate in Treasury</li> <li>• Certificate in Treasury Fundamentals</li> </ul>
Chartered Banker Institute	<p>UK Professional Qualifications</p> <ul style="list-style-type: none"> <li>• Chartered Banker Diploma (retail, corporate and private banking streams)</li> <li>• Associate Chartered Banker Diploma (retail, corporate and private banking streams)</li> <li>• Professional Banker Certificate</li> <li>• Professional Banker Diploma</li> <li>• Award in Business Banking</li> <li>• Certificate in Credit Union Principles and Practice</li> <li>• Certificate in Microfinance Principles and Practice</li> <li>• Certificate in Offshore Practice</li> </ul> <p>UK Regulatory Qualifications</p> <ul style="list-style-type: none"> <li>• Diploma in Professional Financial Advice (FCA recognised, appropriate qualification)</li> <li>• Mortgage Advice &amp; Practice Certificate (FCA recognised, appropriate qualification)</li> <li>• Certificate in Complaint Handling</li> <li>• Bespoke and Tailored Qualifications</li> <li>• Diploma in Lending Skills</li> <li>• Advanced Diploma in Lending Skills</li> </ul>

<sup>17</sup> Please refer to Appendix A for details of how these organisations were identified



Professional body	Qualifications offered
	<ul style="list-style-type: none"> <li>• Diploma in Financial Services Leadership</li> <li>• Certificate in Business and Financial Management</li> <li>• Certificate in Advanced Banking Practice</li> <li>• Certificate in UK Business, Manufacturing and Trade</li> <li>• Certificate in Real Estate Finance</li> <li>• Certificate in Healthcare Financial Management</li> <li>• Certificate in Agricultural Financial Management</li> <li>• Certificate in Leisure Financial Management</li> <li>• Certificate in Professional Sector Financial Management</li> <li>• Certificate in Business Banking Practice 1</li> <li>• Certificate in Business Banking Practice 2</li> <li>• Certificate in Lending Skills</li> <li>• RBS Professional Banker Certificate</li> <li>• Metro Bank Professional Banker Certificate</li> <li>• NAG Certificate in Credit</li> </ul> <p>The Chartered Banker Institute also accredits qualifications from UK education institutions and banking institutes overseas.</p>
CFA Society of the UK	<ul style="list-style-type: none"> <li>• Investment Management Certificate</li> </ul> <p>Supporting the CFA Program and CFA charter holders in the UK. The CFA charter is awarded by CFA Institute for which CFA UK is the local member society.</p>
Chartered Institute for Securities and Investment	<p>Pathways in wealth management, financial planning, compliance and risk, operations, corporate finance, capital finance and Islamic finance.</p> <p>Within each pathway qualifications are offered at foundation, qualifying, professional and advanced level.</p>
Chartered Institute of Credit Management	<p>Certificates and diplomas (including level 5 diplomas) in:</p> <ul style="list-style-type: none"> <li>• Credit Management</li> <li>• Money and Debt Advice</li> <li>• Debt Collection</li> <li>• High Court Enforcement</li> <li>• Taking Control of Goods</li> </ul>

Professional body	Qualifications offered
Chartered Institute of Internal Auditors (CIIA)	<ul style="list-style-type: none"> <li>• Certificate in Internal Audit</li> <li>• IIA Diploma</li> <li>• Chartered Internal Auditor</li> <li>• Qualification in Internal Audit Leadership</li> <li>• IT Auditing Certificate</li> <li>• Certificate in Control Self-Assessment</li> <li>• Certified Government Audit Professional</li> <li>• Certified Financial Services Auditor</li> <li>• Certificate in Risk Management Assurance</li> </ul>
Chartered Institute of Taxation	<ul style="list-style-type: none"> <li>• CTA/Chartered Tax Adviser</li> <li>• ADIT/Advanced Diploma in International Taxation</li> </ul>
Chartered Insurance Institute	<p>Insurance qualifications</p> <ul style="list-style-type: none"> <li>• Award for the Foundation Insurance Test</li> <li>• Award in London Market Insurance</li> <li>• Award in General Insurance (non-UK)</li> <li>• Award in Customer Service in Insurance (non-UK)</li> <li>• Certificate in Insurance</li> <li>• Certificate in Contract Wording</li> <li>• Certificate in Insurance and Financial Services (non-UK)</li> <li>• Diploma in Insurance</li> <li>• Advanced Diploma in Insurance</li> <li>• Certificate in London Market Insurance Specialisation</li> <li>• Certificate in Insurance Market Specialisation</li> <li>• Fellowship</li> <li>• Bachelors and Masters degrees</li> </ul> <p>Financial services qualifications</p> <ul style="list-style-type: none"> <li>• Award in Bancassurance (non-UK)</li> <li>• Award in Financial Administration</li> <li>• Award in Financial Planning (non-UK)</li> </ul>

Professional body	Qualifications offered
	<ul style="list-style-type: none"> <li>• Award in Investment Planning (non-UK)</li> <li>• Award in Retail Banking</li> <li>• Award in Long Term Care Insurance</li> <li>• Award in Life and Pensions Foundations</li> <li>• Pensions Update Programme</li> <li>• Certificate in Advanced Mortgage Advice</li> <li>• Certificate in Discretionary Investment Management</li> <li>• Certificate in Equity Release</li> <li>• Certificate in Financial Services</li> <li>• Certificate in Investment Operations</li> <li>• Certificate in Life and Pensions</li> <li>• Certificate in Mortgage Advice</li> <li>• Certificate in Securities Advice and Dealing</li> <li>• Certificate in Paraplanning</li> <li>• Diploma in Financial Planning</li> <li>• Diploma in Regulated Financial Planning</li> <li>• Advanced Diploma in Financial Planning</li> <li>• Bachelors and Masters degrees</li> </ul>
Global Association of Risk Professionals	<ul style="list-style-type: none"> <li>• Financial Risk Manager (FRM)</li> <li>• Energy Risk Professional (ERP)</li> <li>• Certificate in Risk and Regulation</li> <li>• Foundations of Financial Risk</li> </ul>
ifs University College	Professional Qualifications <ul style="list-style-type: none"> <li>• Professional Diploma in Banking &amp; Finance</li> <li>• Chartered Associate Programme</li> </ul> Mortgage Advice <ul style="list-style-type: none"> <li>• Certificate in Mortgage Advice and Practice (CeMAP)</li> <li>• CeMAP Diploma (CeMAP Dip)</li> <li>• Certificate in Regulated Equity Release (CeRER)</li> </ul> Financial Advice

Professional body	Qualifications offered
	<ul style="list-style-type: none"> <li>• Certificate for Financial Administration and Planning (CeFAP)</li> <li>• Diploma for Financial Advisers (DipFA)</li> <li>• Diploma in Financial Advice (AdvDipFA)</li> <li>• Certificate in Long-Term Care Insurance (CeLTCI)</li> <li>• Award in Pensions Transfer (AwPETR)</li> </ul> <p>Trade Finance</p> <ul style="list-style-type: none"> <li>• Certificate for Documentary Credit Specialists (CDCS)</li> <li>• Certificate in International Trade and Finance (CITF)</li> <li>• Certificate for Specialists in Demand Guarantees (CSDG)</li> </ul> <p>Banking Conduct Qualifications</p> <ul style="list-style-type: none"> <li>• Certificate in Retail Banking Conduct of Business (CertRBCB)</li> <li>• Diploma in Retail Banking Conduct of Business (DipRBCB)</li> <li>• Certificate in Business Banking and Conduct (CertBB&amp;C)</li> <li>• Diploma in Business and Commercial Banking and Conduct (DipBB&amp;C)</li> </ul> <p>Specialist Qualifications</p> <ul style="list-style-type: none"> <li>• Certificate in Regulated Complaints Handling (CeRCH)</li> <li>• Award in Customer Complaints Handling (AwCCH)</li> <li>• Certificate in Consumer Debt Collection (CertDC)</li> <li>• Certificate in Supervising in a Regulated Environment (CeSRE)</li> <li>• Certificate for Automotive Finance Specialists (CertAutoFS)</li> <li>• Diploma in Asset Finance (DipAF)</li> <li>• Certificate in Credit Union Professional Conduct (CertCUPC)</li> </ul> <p>Higher Education</p> <ul style="list-style-type: none"> <li>• BSc (Hons) in Banking Practice &amp; Management</li> <li>• BSc (Hons) in Finance, Investment &amp; Risk</li> <li>• MSc in Banking Practice &amp; Management</li> <li>• Postgraduate Certificate in Higher Education</li> <li>• Postgraduate Certificate in Teaching Financial Capability</li> </ul> <p>Financial Capability</p> <ul style="list-style-type: none"> <li>• Lessons in Financial Education (LiFE)</li> <li>• Award in Personal Finance Level 1 (APF1)</li> </ul>

Professional body	Qualifications offered
	<ul style="list-style-type: none"> <li>• Award in Financial Education Level 2 (AiFE)</li> <li>• Certificate in Personal Finance Level 2 (CPF2)</li> <li>• Certificate in Financial Education Level 2 (CeFE)</li> <li>• Certificate in Financial Capability and Careers Development Level 2 (CeFCCD)</li> <li>• Certificate in Financial Studies Level 3 (CeFS)</li> <li>• Diploma in Financial Studies Level 3 (DipFS)</li> </ul>
Institute of Professional Financial Managers	<ul style="list-style-type: none"> <li>• Graduate Diplomas</li> <li>• Higher National Diplomas</li> <li>• Certified Diplomas</li> <li>• Post-Graduate Diplomas</li> <li>• BBA (Hons) Bachelors in Business Administration. Certified Professional Financial Manager</li> </ul>
Institute of Risk Management	<ul style="list-style-type: none"> <li>• International Diploma in Risk Management</li> <li>• International Certificate in Risk Management</li> <li>• Certificate in Risk Management in Financial Services</li> </ul> <p>The qualifications listed above are the requirements for admission to the professional membership grades and designations of MIRM or CMIRM, IRMCert and SIRM respectively.</p>
International Compliance Association	<p>Certificates and Diplomas, for all levels, in:</p> <ul style="list-style-type: none"> <li>• Anti-money laundering</li> <li>• Compliance</li> <li>• Financial crime prevention</li> </ul>
Investor Relations Society	<ul style="list-style-type: none"> <li>• Certificate in Investor Relations</li> </ul>
Retail Banking Academy	<p>Qualifications</p> <ul style="list-style-type: none"> <li>• Certified Retail Banker</li> <li>• Certified Islamic Retail Banker</li> <li>• Certified Cards and Payments Professional</li> </ul> <p>Certification Programme</p> <ul style="list-style-type: none"> <li>• Certified Private Banker</li> </ul>

Professional body	Qualifications offered
	<ul style="list-style-type: none"> <li>• Branch Manager Certification Programme</li> <li>• SME Certification Programme</li> <li>• Customer Service Certification Programme</li> <li>• Private Banking Certification Programme</li> <li>• Product Manager Development Programme</li> </ul>

## 4 Results

The results below are presented thematically, combining the survey and interview elements of the research.

Please note that 'banking-related professional bodies' is shorthand for professional bodies that have a significant number of members working in banking. As such this category includes those bodies focused exclusively on the sector (for example, the Chartered Banker Institute), those bodies focused primarily on the sector but with members in other areas (for example, the International Compliance Association, roughly ninety percent of whose members work in banking) and those bodies for whom banking is merely one sector among many in which they are well-represented (for example, the Institute of Chartered Accountants in England and Wales). The views of these interviewees need to be seen in the context of their organisation's overall relation to the sector, and where relevant we have tried to give an idea of this when citing specific comments below.

The charts presented in this section summarise data from each of the two online surveys. One survey was completed by professional bodies and the other was completed by banks and building societies. To distinguish one from the other, we have used the abbreviations PB (for 'professional body') and Firm (for 'banks and building societies') in the chart titles.

### 4.1 General observations

#### 4.1.1 The profile of the professional bodies

1. The results in this section relate to issues 2 and 3 in the central findings.
2. Taken as a whole, the profile of the professional bodies within the banks and building societies is low – not just the Chartered Banker Institute (formerly the Chartered Institute of Bankers in Scotland), nor just the *ifs* University College (formerly the Chartered Institute of Bankers), but all the banking related professional bodies. One interviewee from the firms said:

*So working with the business .... I think it's fair to say, notwithstanding the fact that I worked at that point for [name of employer] for - I don't know - eight years, that I probably didn't really know, for example, what the [professional body] did for us. Didn't really know how we engage with them. Wouldn't know how to engage with them. So I think their profile is low.*

A number of bank and building society interviewees had themselves passed Chartered Institute of Bankers' exams in the 1980s but noted that this requirement on entry into the sector had fallen away from the 1990s onwards:

*I suspect that started to disappear probably in the early- to mid-nineties. It became less and less important for people to have that professional qualification and disappeared I guess certainly by the end of the nineties when it just wasn't an issue that people talked about.*

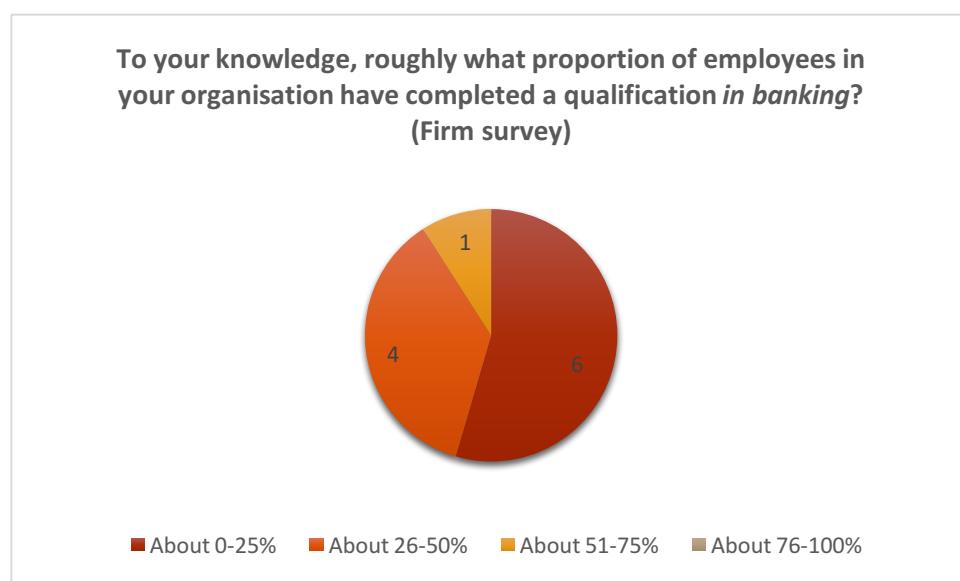
It was suggested that this was partly due to the development of a sales and marketing culture within firms, as opposed to one of professional service. Some suggested it was because there are so many professional bodies.

Another connected reason was that there is a lack of a gold standard qualification which can be recognised in the way that an actuarial or accounting qualification can be recognised (issue 2 in the central findings). One banking and building society interviewee commented:

*Thinking personally, there needs to be some sort of checks on the professional bodies. So that they're not just about selling qualifications.*

3. This view was mirrored in the banking-related professional body interviews: many interviewees talked about the way qualifications used to be an expectation for anyone looking for a career in banking, but ceased to be such following the 'big bang' in the 1980s, with a commensurate drop-off in membership of professional bodies. Within the professional bodies, there is perhaps a sense that the pendulum is beginning to swing back in the other direction, but currently take-up of qualifications still appears very patchy.
4. Figure one shows bank and building society survey respondents' estimates of the proportion of employees in their organisation who have a banking qualification.

FIGURE 1



5. On the whole, bank and building society interviewees did not know the proportion of their employees who had professional qualifications, as the quotes below indicate. In most organisations they estimated it was less than 25%, sometimes much less than that. One or two suggested that in their organisation it might be more than 50%. This was generally in small firms. On the other hand, some small firms thought only about 10%. A likely explanation for the variability of membership levels in small firms is that take-up is driven by the personal enthusiasm of organisational leaders in some cases.

*I'll be honest, we need to get better at this as most of our competitors do. That sort of information is pretty tough to get hold of. I would say, it would not surprise me, probably above 50%. But I could be wrong there.*

*That's a difficult question, and I may have to get back to you.*

*Much lower, a low proportion I would think. It very much depends on which part of the bank you're working in. .... less than 20% perhaps? Yes.*

It was notable that most interviewees reported that their organisation did not keep any record of this information in their personnel files. As one commented:



*The reason I'm guessing is that we don't actually hold that information centrally so I'm not sure there's a way of me telling you that.... So it's an interesting question, at the heart of this conversation really. We don't insist that people are members of any professional organisation so we don't capture that essentially....*

6. Interviewees knew that in regulated areas, for example, where staff were selling financial products, some professional qualification was required, though this did not necessarily entail membership of a professional body. In fact, one organisation noted that, although they did engage quite a lot with a professional body, this was purely a transactional relationship. In other words, the body was a supplier of a qualification, but the relationship was no deeper (see also issue 4 in the central findings).
7. There is perhaps something of a 'chicken and egg' problem in that the professional bodies would be better known if their qualifications had more gold standard status and the qualifications would have higher status if the bodies were better known. But there is more to 'gold standard' status than the provider being well known; it depends on the quality of the qualification as well.

One banking and building society interviewee commented:

*So we would but because the professional bodies, apart from the specialisms like law and finance, have fallen so far down people's shopping lists, not many people think about it. That might be our fault, it might be the professional bodies' fault, it may just be the way things have developed. But as part of the move to us trying to get banking back to being a profession, we need to do something about it.*

8. Some bank or building society interviewees raised the question of what is meant by a professional qualification in the sector. Thus some thought that simply having a degree might count as having a professional qualification. But then they realised that within banks and building societies the relation of a degree to a profession was quite unlike that in medicine or engineering, for example, where the degree would be ratified by a professional body as the first stage of becoming a professional. By contrast the degrees in corporate/investment banking might be in subjects like History or English, so have no specific content designed for the banks and building societies sector. And one noted that '*we don't count degrees as professional qualifications*'. This suggests that the notion of a professional qualification needs clarifying for banks and building societies.

*The front office group -- I would say that 90% of people at the very least have a professional qualification of some kind. Actually that's not quite true. They would have a degree and potentially a higher degree. It depends what we meant by professional qualification. .... In which case much lower. Misinterpretation on my part.*

9. Because qualifications are (with exceptions) not mandatory, professional bodies appear to be in the position of having to sell the *idea* of professional qualifications to banks and building societies, as well selling as their own specific qualifications. This suggests that standards, and approaches to professional education, including in ethics, are to a great extent driven by banks and building societies as the more powerful group in what appears to be a predominately transactional relationship between them and professional bodies (see issue 4 in the central findings).
10. On the other hand, some banking and building society interviewees saw the importance of maintaining standards:

*They need to be up to date, forward thinking. Having said that, I'm enough of a dinosaur to say, that doesn't mean you throw out all the good stuff you've got. It needs to be based on good standard rigorous foundations, but it needs to reflect the world the colleagues see nowadays.*

There were some examples within the banking-related professional body interviews of professional bodies taking a firmer line, setting high standards and challenging banks and building societies to aspire to these. These interviewees clearly saw this as marking out their professional body as distinct from the others. For example, one interviewee (PB) stated that:

*If you don't have in your mind that you, in the least, have an equal status to the senior bankers, then you're not going to get anywhere with these people. One of the things I've observed about the institutes... people are very, very timid. They do what they're told. There are some bankers out there who find it a bit strange that non-bankers like myself come along and say 'guys, you're not doing it properly'.*

11. Another interviewee noted that their professional body had also faced resistance from members on occasion:

*The question you should always ask is 'does this benefit the public?' It should not be ever in the trade body's space of simply backing members... The evidence of that was during the retail distribution review, we argued in favour of the raising of qualifications across the board which a lot of our members really didn't like and fought very hard against.*

#### 4.1.2 The mission and role of the professional body

12. We asked banking-related professional body interviewees what their professional body saw as its mission. In general, answers had to do with the provision of education and qualifications. One interviewee talked about identifying and filling the skills gaps that exist in the sector. Some interviewees spoke about raising or maintaining 'standards', either of competence or ethics. One interviewee mentioned public engagement and raising the profile of banking as a profession. We were particularly interested in 'big picture' responses. Responses of this kind were relatively few, and tended to come from those professional bodies whose remit is wider than the banking sector. They included:

- 'Creating a culture of risk awareness in business'
- Contributing to the public good
- Fostering a sense of 'stewardship' in the sector

13. When asked about how they might seek to expand their reach, professional bodies revealed themselves generally not to be interested in diversification but in consolidation within the part of the sector in which they are already active. This is probably not surprising given the low coverage currently – it would make sense as a business model to concentrate on increasing membership in the area in which one already has an offer, rather than to focus resources on starting from scratch in a new area.

14. Some of the bank and building society interviewees expressed confusion about the role of professional bodies. One interviewee asked:

*Are they there to support individuals or the industry sector or how businesses develop? I think that's maybe a little confused on their purpose at the moment.*

15. Another interviewee suggested that there is a view of professional bodies as ‘outsiders’, as opposed to being part of the industry themselves. However, one interviewee could see importance in professional bodies creating a professional identity and a common language for the sector: something to be proud of. This common language would mean there were things one could take for granted, that everyone could be expected to understand even as they moved about the sector.

Some were a bit sceptical as to whether the professional bodies had the right vision:

*I don't think I'm averse to them playing a greater role. [What I want them to do], is to show a more value added role in the sector rather than just wanting to be a bigger player in it. What you do get is people who are often keen to participate but I very often don't see the value added or the professionalism that they offer in their desire to be a bigger player.*

And another interviewee from banks and building societies pointed towards the kind of goal they would hope a professional body would aspire to:

*Professional bodies usually tend to be focusing, as a regulator is, on concrete skills and knowledge. That does not make them [the banking employees] fit to trade. It makes them fit to do the job so that they know how to do a trade but [does not give them] a mind-set. What everybody, the regulators, the organisations, are wrestling with is ... culture.... Establish a culture where people will make the right decisions, speak up, and there are ways to do that but the expertise in the banks to be able to do that is minute....*

#### 4.1.3 The culture of banking and banks

16. Most bank and building society interviewees agreed that the culture of banking has changed drastically over the years. There was at best a tentative indication that ethical culture may be beginning to improve. One interviewee noted that:

*Banks are large and have command and control structures, so there's an absence of a tone from the top and it's difficult to see where you would get a challenge.*

*The real challenge of a bank in the future with a proper culture would be that they'd recognise at an early stage that PPI was an accident waiting to happen, and rather than simply sit off it with the profits until... somebody outside says 'stop', somebody internally says take an action to forgo short term profits for long term reputational gain. There may well be those things starting to develop in banks. At the moment we don't know because we're still dealing with the legacies of past things and fines etc. Culturally it may be some of it may have changed.*

17. There was some discussion of the way culture, conceptualised as ‘the way things are done around here’, is transferred in banks. Whereas, in the past, organisations could rely on longstanding traditions to inculcate a set of values and approaches in their employees, there was a concern that this has been lost. In its absence, new ways of restoring ethical cultures need to be established, which could include increased professionalisation. Most interviewees who expressed an opinion thought that banks are currently a long way from a culture of professionalism.

*I joined a good old fashioned bank that has been around for nearly 300 years. Actually the people around you, infused you with a lot of what we were learning at the time, the history, the culture, the risk management aspect of what you were doing for clients, managing*

*money, putting money to good use. I would say part of the education, part of the professional development was just being in a good, old organisation with very qualified people around you with enormous experience whose job it was to impart that knowledge and culture to you as a young, trainee banker.*

As noted above at point 15, some senior interviewees in banks and building societies were sceptical that the firms themselves have the expertise to address this and were looking to professional bodies to have a vision which would embrace this challenge.

## 4.2 Professional qualifications

### 4.2.1 The value of professional qualifications

18. Overall, interviewees from banks and building societies were reluctant to endorse the value of the professional qualifications currently available. For example, one commented as follows:

*If there was a mechanism that was a safe guarantor that somebody had that capability and competence, I think we would be inclined to use it. I don't think the mechanisms that exist are reliable indicators that that is the case.*

One major reason given for banks and building societies not valuing qualifications was the sheer number of qualifications available. Some bank and building society interviewees said that, even though they had responsibility for professional development of staff, it was not possible for them to keep abreast of all the qualifications available and, in particular, of *their relative worth*. Several interviewees noted the need for more clearly defined pathways between professional qualifications and for professional bodies to do much more to help with that (see 'pathways and frameworks' below). Interviewees noted that it is not just professional bodies who offer qualifications, but also academic institutions and independent training providers. Overall, there appears to be a proliferation of qualifications in the sector:

*I definitely think it... would be helpful for banking to have it streamlined, and then it would have to be really, really clear what the standards actually are.*

19. One firm reported that it had responded to the problem of lack of calibration by partnering both a professional body and a University with the latter accrediting the level of a qualification.
20. When asked about the views of leaders in organisations, some bank and building society interviewees felt that leaders, or at least senior leaders, were not much interested in qualifications. Again, given the number of qualifications available, leaders would be unlikely to be aware of them at any level of detail. In larger organisations some noted that there would be several levels of leaders so that different answers would apply for different levels. However, a bank or building society interviewee in a large firm was confident they were valued by leaders:

*So I would say that if you talked to the most senior individuals in the organisation, I think they would largely be advocates of professional qualifications... if you want to drive cultural change... [and] there'll also be people in that group [mid-level leaders] who would be advocates because they see it as an investment in them, they see it as being like 'I want to feel proud again'...*

And another senior bank or building society interviewee commented:

*I think it's core to leadership to show to people actually there are standards that need to be met and you need to test yourself against those standards. That's where professional*

*qualifications should come in. Sadly, at the moment I don't think they [professional qualifications] do [come in] enough, but it is the leaders of business that should be saying that.*

So, where qualifications are valued, this may be the result of senior leaders having professionalisation on their agenda and then successfully driving this through the organisation.

21. Some bank and building society interviewees expressed a view that qualifications were not sufficiently relevant, specific or up-to-date:

*Also I think the professional bodies themselves are going to have to make sure and gain the trust of the institutions that they have moved with the times and they're embedding the future thought of what people need in five or ten years' time now.*

Some mentioned that bankers now frequently change career paths, and that there is a need for qualification pathways that allow for that. The need for qualifications to be relevant, informed and up-to-date was also a concern commonly expressed by professional bodies, including banking professional bodies. There was an interesting comment from one interviewee (from a stakeholder organisation) identifying a possible reason for qualifications being perceived as behind the times, which was that using academic publications in qualification syllabuses 'anchors you five to ten years behind the curve', and that by the time good academic publications have been published and been picked up by professional bodies, the sector may have moved on.

22. Perhaps unsurprisingly, interviewees from banking professional bodies tended to think that their qualifications were valuable. On the other hand, they did not always think their value was recognised by banks and building societies. Several of these interviewees identified one of the biggest drivers for firms who did value qualifications as being regulatory compliance and the wish to avoid fines.

23. One interviewee (from a banking professional body) identified a growing awareness of the need to sell responsibly, and a perception that qualifications can help develop this tendency in staff involved in selling:

*I think a growing demand is coming from the fact that banks are starting to realise that they have to sell responsibly, so not just about selling the right solution, it's selling it in the right way. And I'm certainly in the process of talking with a number of the large banks about how to help them add professionalism to the sales process, as well as the more mundane compliance issues.*

24. While the primary drivers for banks may be profitability and avoiding regulatory censure, one professional body interviewee reported some success in broadening the interests of organisations once they had a foot in the door.

*I think there are two drivers. I mean the banks are a large consumer of our qualifications and I think there are some banks which the primary driver is better selling in terms of profitability so selling a solution rather than a bunch of products which may or may not be suitable. And that's often where the conversation starts but again, as you start to work more closely, you can obviously open up eyes to ... more things that the professional body is interested in, around standards and things... I think there are huge areas of difficulty around the*

*compliance side and how you kind of bring standards into that, and I don't think the banks do that particularly well.*

25. The assumption among the majority of interviewees from all groups appeared to be that the content of qualifications had to be driven by banks and building societies. As a bank or building society interviewee put it:

*That's right. They need to take a step back. The industry needs to be saying to professional bodies, 'this is what we want you to do. Are you prepared to do it? If not, we'll find someone who is'.*

This is unsurprising given that qualifications are not compulsory, but also points towards the lack of a 'gold-standard' qualification (see issue 2 in the central findings, and the quote in point 18 above). If such a qualification existed, the professional bodies would have greater latitude to set content that they thought was valuable.

So there was some impression that professional bodies see themselves as suppliers to banks, with banks as customers, which could lead to an assumption that 'the customer is always right' (see issue 4 in the central findings). This contrasts with other professions – e.g. accountancy, law – in which stronger professional bodies are able to have a stronger role in determining what constitutes a gold standard professional education. However, we did note in section 4.1.1 that some do see the need for professional bodies to stand firmly for their standards.

26. One revealing comment by a banking professional body suggested that, while some banks are very happy to publish the fact that they are working with professional bodies, seeing this as a PR win, others are reluctant to do so, suggesting that they see working with an external organisation – perhaps particularly on issues of ethics and culture – as a sign of weakness.

*The greatest difficulty... is that you might go and see [a] household name and they're very happy with you, but say 'you cannot use our name as a recommendation to somebody else'. That was something we raised in an editorial article in our publication quite recently. As a result of the FCA saying they're abandoning their culture-themed examination of banks then, we're doing work with banks, why are you so reluctant to tell anybody what you're doing? I think it's that they see it as admission of weakness.*

27. As an indicator of the value placed on professional qualifications by banks and building societies, we asked about the support provided to individuals who are working towards a professional qualification. Nearly all bank and building society interviewees said that their organisation did provide such support in some form or other. Many qualified this by saying that they would only provide support for obtaining qualifications that are relevant to the individual's role. Some said that the onus was on the individual to 'make a case' for support. Others reported that their organisation has a policy which sets out which qualifications they would or would not support. Overall there appears to be a lot of variation in both the financial support given to those seeking qualifications, and the amount of time off allowed for study.

28. Smaller organisations may be worried about funding people to get a qualification, and then losing them:

*This is fairly obvious but it's an important truth and it certainly affects the way we support qualifications... if the organisation is supporting the individual there has to be a benefit to the*

*individual and the organisation. The truth is, once an individual gets a qualification, if they then leave, the qualification stays with them....*

For this reason, a number of firms have a 'claw-back clause' on funding if an individual leaves soon after gaining a professional qualification. But even large organisations reported that they have limited budgets, and might consider they would get a better return on their investment by spending the money on things other than professional qualifications, for example, other forms of training. One survey respondent from a bank or building society stated that:

*In a challenging, low interest rate environment there will continue to be cost pressures on Professional Qualification budgets. Inevitably priority will be given to study that is a regulatory requirement or without which a colleague will be unable to carry out their job.*

29. The responses from banking-related professional bodies also indicate that the support provided is patchy, which can be seen as an indicator that banks and building societies do not consistently value professional qualifications. Some areas reported consistent support (e.g. compliance, risk) perhaps indicating greater value placed on qualifications in these areas.

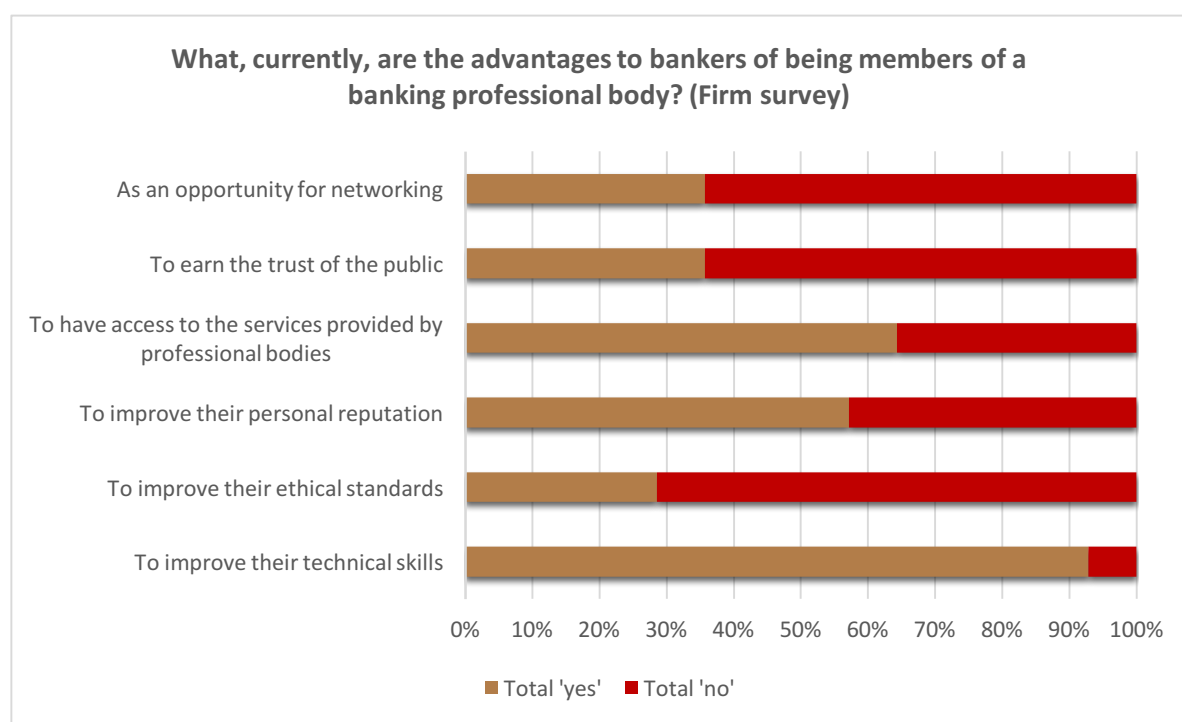
*I would have said it's more than patchy as far as compliance. Literally all regulated entities now have on their radar... The number one business risk to banks these days, and there's a lot of research on that, is in fact compliance risk. They are well aware of that. One of the solutions obviously is training. I would say it's not so much patchy. Almost all banking organisations are well aware of training and education and qualifications in particular in this field now.*

30. Professional bodies also reported a large difference between individual banks in respect of the amount of support provided. One key difference seems to be that in some organisations professional training is driven centrally and has a central budget, whereas in others it is left to the discretion of line managers and financial contributions must come from departmental and team budgets. In the latter organisations, take-up of qualifications was reported as being much patchier. This view was also corroborated by some of the bank and building society interviews.

#### 4.2.2 The specific benefits of having qualifications

31. Overall, the results from both the surveys and interviews support the conclusion that, however professional bodies may see themselves, banks and building societies see them much more as providers of technical skills and not so much as contributing to ethics and culture.
32. The chart below shows what survey respondents from banks and building societies perceive to be the advantages of membership of a professional body.

FIGURE 2



A particularly striking result here is that less than 25% of respondents to the banks and building societies survey thought that 'to improve their ethical standards' was an advantage of membership of a professional body, and less than 40% saw 'to earn the trust of the public' as an advantage.

33. While 'to improve their technical skills', scores highly in the above chart - over 90% - comments entered into the free text box accompanying this question suggest that even this might not be seen universally as a major advantage of professional qualifications. For example, one participant, answering on behalf of the retail or consumer sector, and who ticked most of the advantages, commented that, *'whilst these are advantages they are quite minor i.e. not particularly significant'*.
34. Interview respondents who answered that there were no advantages to membership were asked to explain their answer. Only one responded, explaining that, *'There is no common "standard" that is recognised/adhered to.'*
35. Results from the interviews – both bank and building society and banking-related professional body – also support this general picture. Among banks and building societies, there was at best mixed endorsement of professional qualifications as advantageous in general, and more endorsement of them as an aid to technical competence than to ethical awareness, behaviour or reputation. One said:

*I'm sure there must be [advantages in having professional qualifications]. We've seen value in the understanding our colleagues display if they've sat and passed the FCA exams to be able to conduct business activities.*

Another commented:

*The ethical side, not convinced by. It very much depends on the qualification you do. On what's covered.*



Even on technical competence, however, some bank and building society interviewees said that professional body qualifications do not have a hallmark, and so are not used as an indicator of quality of a job candidate, for example.

*It doesn't carry that hallmark that differentiates a good person in terms of capability....  
That's one of the biggest problems we have with it.*

Others noted that people can acquire technical skills in other ways.

36. Some bank and building society interviewees talked about professional qualifications potentially helping with understanding banks – and with providing a common language or common understanding:

*I think there is merit in actually 'what is banking' in its broadest sense. One of the things we would see as a test of competence is 'do you understand how a bank makes money?' There is something about that absolutely.*

Another said:

*To have a base level of common language, common understanding, common frameworks, so that you could bring that to bear already in the bank, then you could spend more time learning the X way of doing something, or how to make it better etc. So it would absolutely be very helpful, not just from the regulatory [point of view] but how to speed things up and give people a common platform and language to move forward with.*

37. Even among professional body interviewees, few people identified ethics or trustworthiness as a motivation. Responses tended to emphasise technical competence or professional judgment rather than specifically ethical skills or understanding.
38. In the interviews, the most commonly cited motivation for gaining a qualification was for career advancement, though this was not universally endorsed: quite a few reported that it was not in fact required for advancing in their organisation. One view expressed (by a bank or building society interviewee) was that qualifications were more helpful for career advancement in larger organisations:

*If you're with a small organisation, I don't think it does [help] because there is very little career progression.*

Some felt it depended on what area the individual was working in, distinguishing counter staff from some other areas, especially those where there is a regulatory need. So some felt qualifications were of value for some levels, but not others. Some bank or building society interviewees said they (i.e. the firms) could do more:

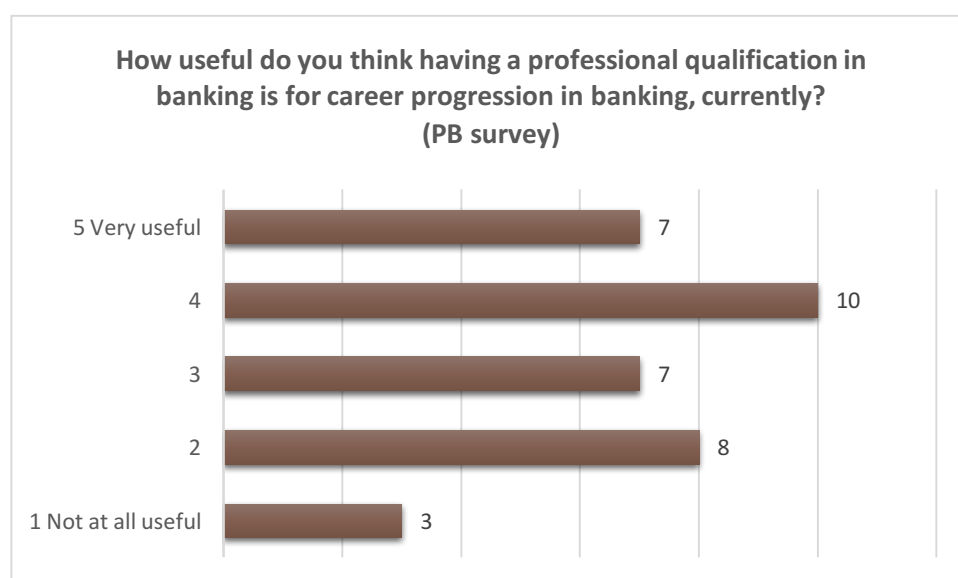
*One thing we could do is revisit our policy on how people can progress within the organisation ..... I think we need to be saying to them, 'your next step is...' and that step is a professional qualification. I think we could set an example there.*

39. This mixed view was matched by the views of survey respondents, particularly those in banks and building societies. Both professional body and bank/building society respondents were asked specifically about the usefulness of professional qualifications for career progression in banking. The results are summarised in the two charts below:

**FIGURE 3**



**FIGURE 4**



40. Financial risk management and compliance were both noted as areas in which employers often expect people to have specific qualifications, though they are not a regulatory requirement. The profile of both areas appears, unsurprisingly, to have increased greatly since the crisis of 2007/8.
41. Two professional body interviewees mentioned being part of a 'community of interest' as an important benefit of membership. Notably, both of these interviewees came from established professional bodies with a Royal Charter.

*In sectors where there is a strong professional body, you'll find that that body also acts as a port of call for those individuals. So if they've got a problem with their employer or ethical standards... you'll find that they've got ethical advice lines to support them. In my experience that is not something you associate with the banking industry.*

However, this idea was also picked up by a bank or building society interviewee:

*I can see the value ... that you have [a] body that says 'here's the standards, here's the qualifications you have to have to be able to practice in this arena, and here's the ongoing way of working. There is a strong sense of community and belonging and professionalism and we're all in it because of this.'*

#### 4.2.3 Qualifications and regulatory compliance

42. Several interviewees from banking-related professional bodies identified areas in which qualifications are required by law. These include mortgage advice, financial advice (through the Retail Distribution Review – several professional bodies are set up to provide statements of professional standing) and other specific functions such as law and accountancy. Unsurprisingly, mortgage and financial advice are important areas for banking professional bodies.
43. The senior manager's regime does not require people to be professionally qualified, but it does require people to demonstrate that they are competent. Several professional body interviewees stated that a qualification was a simple way to do so. But it was difficult to get a clear view of how successful professional bodies have been in linking their qualifications to this regulatory requirement. One bank or building society interviewee commented that if PBs could make such links that would be helpful:

*What would be quite helpful, I think, and this would be value added rather than what we need to do, is probably having done some of the joining up for us. So how does your qualification connect to what the FCA is talking about right now? What does it mean in connection to SMR? What does it mean in connection to the certified regime...? So there's probably a bit of 'how do you package a product for your customer?'*

44. Professional bodies see the certification and senior managers' regimes as an important source of take-up of qualifications. It does not appear, though, that there is a framework of qualifications specific to the regime. One banking professional body interviewee noted that the certification and senior managers regimes are helpful to them as suppliers of qualifications:

*The regulatory framework that's being laid out at the moment lends itself quite nicely to that because it increases the importance of training and competence generally within the banking industry.*

45. However, another banking-related professional body interviewee noted that the focus on regulatory compliance could lead to a concentration on compliance-related qualifications at the expense of more general qualifications.

*The banks don't want to spend money, you know, they have a finite budget which needs to be spread across a number of areas and they want to get as many people through regulatory type qualifications until training round compliance and they'll have a smaller pot available for everything else and that doesn't necessarily include CPD.*

46. Another banking-related professional body interviewee noted that professional bodies generally have found it difficult to develop qualifications that adequately cover regulatory requirements, due to the fast pace of regulatory change, and also noted that professional bodies may have been less successful in developing training that would help with the 'softer side' of regulation.

*It would be the softer side of regulation and customer relationships that typically are catalysed by some form of regulation such as treating customers fairly or treating customers*

*appropriately in vulnerable circumstances. That is an area where there has been a lot less thinking. In terms of the more hard edged legislative and regulatory development there's typically a bit of a lag. Given that over the past 7/8 years there's been unprecedented legislative and regulatory change, the membership bodies have found it tough to keep their qualifications current.*

47. Another banking-related professional body interviewee noted that co-ordination of professional bodies' CPD activities would also help them to be more effective in meeting the requirements of regulatory regimes.

*Another element of this is around CPD and I suppose in part it links to the Individual accountability regime and the senior managers regime to perhaps a lesser extent. There is a recognition now that the industry needs to be a lot better at record keeping in terms of people's qualifications, what CPD they've done. [In the organisation I used to work for] there was often limited follow up and certainly no consistent record keeping from year-to-year to actually capture this and to monitor how things were going. So it was very much ... down to your local manager, how they dealt with it and ... the problem is... a lot of people have been on some great training days and done some great things. But ... all those records are lost. Which is a great shame, so I think ... as well as all these great qualifications, there is a need to look at the whole CPD piece, both in terms of the quality of it and in terms of the breadth of it but also in terms of the record-keeping side of it and I think ... there's some need for ... co-ordination ...between the member firms and professional bodies ... because the problem is if each does their own thing, independently, that's not great because it's not very efficient, and actually it won't really coordinate very well so actually agreeing some standards, agreeing some common approaches to this would also be very helpful.*

In similar vein a bank or building society interviewee said:

*My second thought is; how does it supersede what the regulator is asking us to do? What could a professional body take away from the regulators and make simpler? Because we get massive overlaps with this regulator wanting this and that regulator wanting that. It's actually the same stuff, they just want different formats or in answer to slightly different questions. We've spent a lot of time reporting to a regulator. So if a professional body could simplify that, to say 'the regulator's here to do this and the professional body's here to do this, and if you adhere to the professional qualification framework, that gives you the really good best practice methodologies and proofs that say that your people are hitting this standard and requirement that you can then report to the regulator,' then that would be great.*

#### 4.2.4 A general qualification in banking

48. We asked all interviewees whether there was value in a general qualification in banking as opposed to specialist qualifications in different areas. The overall consensus among all interviewee groups was cautiously in favour, with some enthusiastically in favour and some against.

We begin by setting out views from those in favour and then note qualifications or reservations that were expressed.

49. Several bank and building society interviewees expressed very positive support. One said:

*Certainly what I have is a general qualification, so it basically touches almost everything a bank does .... And I think it gives you, especially when you're entering the profession it gives you that broad knowledge to then have a better idea of what you may want to do if you do want to specialise.... I find it so useful and a lot of people I've worked with who came in subsequently find it very, very useful.*

Another equally senior interviewee commented:

*If you could define what the right qualification was, to have a base level of common language, common understanding, common frameworks so that you could bring that to bear already in the bank then you could spend more time learning the [firm's] way of doing something or how to make it better etc. So it would absolutely be very helpful, not just from regulatory but how to speed things up and give people a common platform and language to move forward with.*

And a third said:

*A banking qualification, I think my view is something at a fairly basic introductory level would be of value to everyone. But I think we'd need to be clever how we sold it to them.*

And another:

*I think that more general view of how a financial services business works and how it all pulls together is important.*

Finally, another observed:

*The argument around having a collective view of what banks are here to do for society would be a really good thing. Because I don't really think anybody's clear on that.*

50. With the unsurprising exception of those professional bodies who are providers of generalist qualifications at all levels, most interviewees from banking-related professional bodies felt that the general element of qualifications would need to be at quite a low level in order to be meaningful.

Some professional body interviewees noted, however, that those in very senior positions needed to have a general understanding of banking at a high level. This raises the possibility that an overall framework of banking qualifications might be more generalist at lower and higher levels, with increased specialisation in the middle.

*My view, and I've had a career in banking, would be that generally as you embark on that career you would ideally take some qualifications which are quite wide ranging. Gradually you would find your area of expertise and as you progress would become more specialised.*

51. In a similar vein, the bank and building society interviewees also commonly observed that there would be a need for greater specialisation at later stages. One said:

*I think it's of huge value.... like lawyers ....They'd have a more general qualification first and then become specialist. I think it's essential but it's not happening at the moment.*

Another noted:

*[Tiered levels], which there always [were]. In the past you had someone who was, I think the expression was certificated, you had associates and you had fellows. The move between the latter two was largely around service and position in the organisation. But there'd be nothing to stop that being linked to CPD for example. .... Where the banking and building society profession lost its way was not thinking of itself as a profession.*

And a third said, also reflecting on tiers of qualifications:

*In establishing a professional baseline, I think that is something to consider. Then the question is, at what stage do individuals take and complete those qualifications? That goes back to... banding. So depending on where you enter an organisation, your potential for progression is based on your ability to proceed through those exams. It may be that the employer says if you haven't completed those within three years, to at least entry level, then you'll have to leave the organisation because we're not deeming you professional, or you can't advance any further.*

In terms of appropriate levels one suggested:

*As you come in through the door I think utmost importance that your core foundation is set..... And then the next most important place from a personal view would be when you're a new manager... to instil long-term behaviours.*

52. One interviewee from a banking-related professional body suggested that a lack of 'big picture' understanding was one of the causes of the banking crisis, with bankers working in silos without understanding the knock-on effects of their work, and ultimately the effect on customers. A general qualification was identified as potentially effective in counterbalancing this tendency:

*I think it's absolutely vital that if we are developing people that are intending to run banks or run large parts of banks or even parts of large banks, which you know are vital parts in themselves, they need to have a broad range, a broad knowledge and expertise of banking and how it all fits together.*

53. One professional body reported that they are often asked by banks to provide basic general training:

*That's something that we do quite a bit of, we do often get asked by banks to go and do really sort of basic 'this is what a bank is' type of training to cohorts of staff in banks that are not bank specialists.... There is one bank that we quite regularly go in and speak to new recruits of their finance teams. They're not customer facing and they're very well educated in terms of accounting but they don't necessarily know what banks are and we go in and spend... a little bit of time saying, 'this is what banks are, this is how they work, this is what your role is in the bank and this is why it's important' and all that sort of stuff and maybe it's that kind of basic knowledge that you would expect.*

54. Some bank and building society interviewees expressed the opinion that a general qualification has the capacity to provide 'a good grounding', which would provide continuity for bankers who are likely to move around a lot, whether within or between organisations (see Section 4.2.4.1 below for more views about content):

*To have an established base line of knowledge of people who have been in other organisations and know that when you take them there's a common understanding of the basics, could be very powerful which means there is less of a requirement of you to rebuild that capability in everyone who joins the organisation considering they might be there a short time.*

Banking-related professional body interviewees also tended to think that a qualification covering the fundamentals of banking, and promoting a general understanding of the way the industry works, would be useful.

*I'm staggered at the number of people who don't really know what banks do even though they've been working in the industry for several years. That would suggest there is the need for general or generic qualifications but alongside [that] it's equally important there is both specific technical and emotional training as well. I don't know that a foreign exchange trader on a trading floor really needs to get too much depth around vulnerable consumers and treating customers with empathy, but equally should be very close to where the ethical boundaries in their role might lie.*

*If you work in a bank, you should have a broad base of knowledge, you should know the purpose and function of a bank, you should have an idea around the role of central banks, you should have an idea around interest rates, how they may impact your customers.*

*Nowadays banking is incredibly broad. What used to happen... is you all tended to come in and work in a branch, do the banking qualifications, then if you went into HR, go in HR having been in a branch or go and work in marketing having been in a branch. Nowadays many colleagues, however they join the bank, will just go straight into HR. They'll be working for a bank but may never have actually worked in a branch or have experience of front line banking. At the moment we're looking at developing something in-house about banking generally. It is almost that challenge of somebody who works in an office, in a bank, but actually doesn't deal with banking day by day, seeing... why they need a qualification about banking.*

55. A number of interviewees also saw that a high-profile general qualification could have a valuable role in fostering a sense of professional identity, and returning a sense of pride in banking:

*They see it as being like 'I want to feel proud again'....*

56. We turn now to a number of interviewees who identified reasons to doubt the value of a general qualification, or reasons for caution, even if overall they endorsed the idea.
57. One source of doubt was the question of whether banking is a profession. If not, it might be better to concentrate on qualifications in specific areas including those that are genuine professions. The following quotation is from a banking-related professional body, but not one of the core banking professional bodies.

*I have my doubts. I wouldn't say 'no', but the point is there isn't a banking profession. There's a banking industry. I don't think there's a profession these days, it is so wide and complex. That comes back to 'what is a profession?', and I think you have to answer that question. There are certain badges of professionalism. One is that you have a duty of care to your client, which is different from a duty of care to your employer. That's maybe the case in some banking transactions but it's not the case in all banking transactions. Without the active support of the employer, who recognises that tension, I think the idea of a general qualification, professional as opposed to academic, will be a non-starter.*

By contrast, two senior bank or building society interviewees rejected this view, saying:

*I think it's vital that the work no matter what the role is always serving a client.*

...and:

*Where the banking and building society profession lost its way was not thinking of itself as a profession.*

58. It was noted by bank and building society interviewees that the vast majority of bankers currently in the industry, including those in senior positions, do not have such a general banking qualification. If it was going to become an expectation that everyone in the industry should have a qualification in banking, there would be a question as to what to do about these existing employees. If they would all be expected to take a qualification, the numbers taking them could be huge, and it might be unreasonable to expect an experienced banker to take what might be a quite basic qualification. One bank or building society interviewee also asked what would happen if an experienced banker failed the qualification:

*....you know, it's not exactly an incentive for people who've been a banker for 30 years to have to sit for a qualification with the prospect of being [failed].*

59. It was noted that banking is an increasingly international industry and that there might be an issue with the international recognition of qualifications. However, some thought that this potential issue could be overcome. One banking professional body interviewee noted that the UK is seen as a leader in the financial services industry and that an expectation for bankers to take a general qualification in banking might be likely to spread to other countries. A similar view was expressed by a bank or building society interviewee from a large multi-national firm.
60. A further difficulty noted by bank and building society interviewees was the issue of delivering a general qualification to diverse groups, for example those entering a bank with an MBA and those coming in straight from school. But others felt that these pedagogical issues could be overcome.
61. One reason for caution expressed by a number of interviewees was the thought that creating an expectation for bankers to be qualified might limit the diversity of the sector. A bank or building society interviewee noted that diversifying its workforce was a key aim for their organisation, and expressed concern that standardising the entry requirements might not be conducive to this. The same interviewee was concerned about the potential effect on skilled employees, for example, a programmer who had the potential to become 'the next Steve Jobs' might be put off from working in the banking sector if there were onerous requirements in terms of qualifications.

#### 4.2.4.1 The content of a general qualification in banking

62. If there is to be a general qualification in banking, or a set of tiered levels, then the question of content arises. Bank and building society interviewees who favoured such a qualification, or set of qualifications, had fairly clear views on the outline of its content:

*But I do think, based on my experience in the industry, that... there's somebody just understanding a basic profit and loss account, and a basic balance sheet and how we make money in this business, even at a very lowest level, I think it's a very, very good thing. It puts them in a much better place to understand why we make some of the decisions we make around interest rates, around different aspects of [the business] - which makes them better able to deal with consumers....*

*....it's a very good thing to understand how banking markets work, how capital markets work, the various types of exposure to risk management.*

*....how you assess risk, what risks are there, how you fund, whether it's from retail or wholesale markets, how those markets work.*

*...some of the key elements of what banking is and banking's role in society.*



..... *Especially that social purpose role. That's where a lot of bankers lost focus in the crisis and where a lot of the discussion about bringing in professionalism came.*

63. Summarising from these and other comments, interviewees can be seen as suggesting that possible elements of a general qualification in banking should involve at least a general understanding of:

- How the different elements of banking fit together;
- 'Where the money comes from', and the flow of cash from savers and to borrowers or investors;
- Risk, funding and markets;
- The history of banking;
- The social purpose of banking;
- A set of core ethical principles that underpin professional behaviour, including the duty to serve the public interest;
- The regulatory and governance framework.

64. Thus there was a broad consensus that the 'technical' content should be at a fairly broad level of generality and that a focus on matters of ethics, regulation, and conduct would be accessible to, and important for, all banking employees. As two professional body interviewees said:

*It can focus on some areas that probably transcend all parts of the banking industry: ethics and integrity and those sorts of disciplines if you like, is something that one could envisage being relevant to everybody.*

*I would describe that in some respects as a regulation and ethics type qualification which sets out the regulatory framework, helps individuals understand how it's put together, what their obligations and responsibilities are. You could tailor that to the banks' own codes of conduct.*

65. One interviewee suggested that the design of any general qualification (or framework of qualifications) should be carried out by professional bodies and firms working in partnership.

66. There was some discussion here of the specific needs of building societies. While there are clearly large areas of common concern between banks and building societies, there are also differences which are seen as important by building societies themselves. Therefore, any qualification framework would need to reflect this in order to be seen as valuable by the building society sector. These differences largely arise from the different ownership structure of building societies, and would include ethical and cultural concerns: building societies see their ultimate responsibility as being to their members rather than to shareholders, and at least one interviewee suggested that this had an important effect on the culture and decision-making approach in their firms (whilst acknowledging that issues such as trust were common across the banking and building society sector). A general qualification would perhaps need to have some content specific to building societies, therefore, but delivery is also important: building societies would be likely to value training delivered by people with experience of working in their sector.

67. The Building Societies Association is carrying out an extensive gap analysis of qualifications and training available in their field, which could be of value in developing general content and a framework of qualifications.

#### 4.2.5 Pathways and frameworks

68. Overall, interviewees were enthusiastic about the idea of common pathways among qualifications, or frameworks of qualifications, and several bank and building society interviewees expressed a desire for more guidance on such pathways, whether from banking-related professional bodies or from a canopy body. A bank or building society interviewee said:

*The other thing I think professional bodies do well or can contribute in is 'here's the structure of the career path, here's the training from a development perspective and also from a role perspective and also an experience perspective that typically you might expect as you're going through.'*

Another said:

*I think the institutes and bodies should be better at signposting what comes next. I think they say, 'you've got it, we're offering this next one,' but the next one may not be the right one. It may be for a different body or speciality and you're working your way through almost, not quite blindly, but if you're looking at say nineteen bodies, after you've done that you're best to actually go somewhere else. And I don't think there's that framework.*

These pathways or frameworks would incorporate qualifications containing some general content alongside some specialist content. One suggestion made by a bank or building society interviewee, for example, was for three tiers of qualifications: one very general entry level qualification for all new starters, one for slightly more experienced bankers who are starting to take on more responsibility, and then a third for those entering a leadership role.

69. One interviewee from a stakeholder organisation made a comparison with Chartered Surveyors:

*That's the point with the surveyor, so they can all have the title...of 'chartered surveyor', but it then has a 'chartered surveyor dash management consultant', 'chartered surveyor dash rural property'. So if they're good enough or if they want, they could have two specialisms. But if... you're going to them for advice, you know which field you're within, within that whole industry that they're the experts for.*

70. Some of the banking professional bodies appear to have put a lot of thought into pathways among their own qualifications, and to how qualifications at different levels support bankers at different stages of their career.
71. Some interviewees reported being aware of their members also being members of other professional bodies. For example, a qualification from the ACT is typically a second professional qualification, with most members also being members of ICAEW. However, there appears in general to have been little attention given to possible pathways among qualifications offered by different professional bodies.
72. Paragraphs 66 and 67 above, concerning Building Societies, may also have some relevance here.

#### 4.2.6 Areas in which qualifications are lacking

73. In order to get a sense of where gaps exist currently, we asked interviewees in what areas they perceived qualifications to be lacking. This precipitated conversations about two separate

issues. Firstly, interviewees identified areas in which there was a lack of available qualifications, in other words, areas in which professional bodies (and other organisations) are not currently offering qualifications. The implication here is that either there is a demand for these missing qualifications among firms, or there is some other reason why such qualifications would be desirable (for example, because there is a skills gap within firms, whether or not they recognise this to be the case), or both. Secondly, interviewees identified areas in which, whether or not professional bodies are offering qualifications, there is a lack of take-up of qualifications among the banking workforce.

74. In the former category (qualifications that are not being offered), interviewees noted the following gaps:

- Communication skills and other 'soft skills'. Several interviewees noted this gap. One interviewee commented that the currently available qualifications concentrated on 'hard' technical skills at the expense of things such as communication skills and emotional intelligence which are equally important. It is not clear whether there is explicit demand for qualifications in this area although one stakeholder interviewer stated that this was a recognised need that was being underserved.
- Corporate banking.
- Credit management.
- Qualifications aimed specifically at building societies and specifically a qualification in leadership for building society staff.

75. In the latter category (qualifications that are lacking in the workforce), interviewees noted the following gaps:

- Investment banking and the capital communities market – some interviewees felt that qualifications were not an expectation in these areas and perhaps they should be.
- Those who work in branches, and may work part-time, for example in cashier-type roles. An interviewee noted that this group was unlikely to be qualified, and may not be trained by their employer to a great extent either:

*Nowadays people in branches don't tend to take qualifications and that's partly a reflection [of the fact] that lots of people in branches work part time; they don't get supported. I think that's something we should change. And then of course you have lots of people supporting customers from contact centres and so on...and then some banks are very good at supporting these areas, but in other areas you'll find that banks will support things like customer service qualifications - historically it would have been sales qualifications - but not banking qualifications.*

- Leaders in organisations - the 'C-suite' (i.e. CEO, CFO, CIO etc.):

*I would say, if you mapped across... the areas of responsibility where a reasonable person would deem that's where the problem was, you'd almost find a complete absence of people with professional qualifications. So the seniority of particular areas, you would probably find those were missing.*

## 4.3 Professional body activities beyond the provision of qualifications

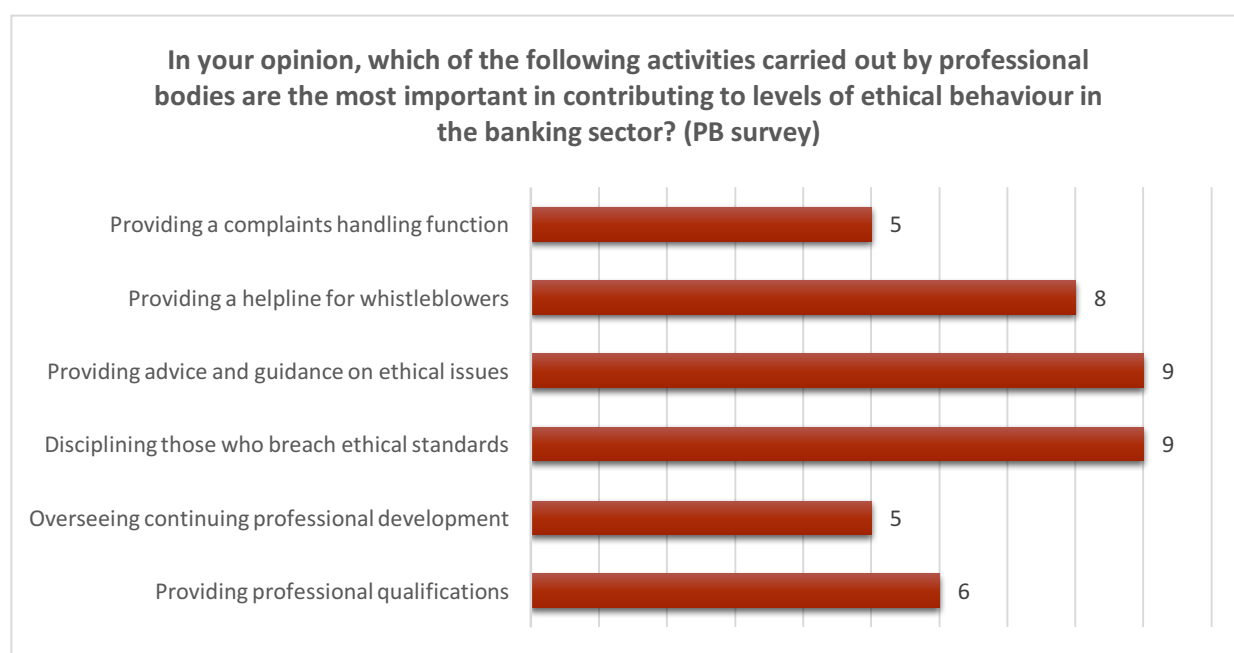
### 4.3.1 Overview of services

76. Generally, all of the professional bodies to whom we spoke appeared to be offering all of the services that one would expect a professional body to offer. There were, though, considerable differences in how each activity was approached, and some significant questions as to the efficacy of what was offered in a number of cases.

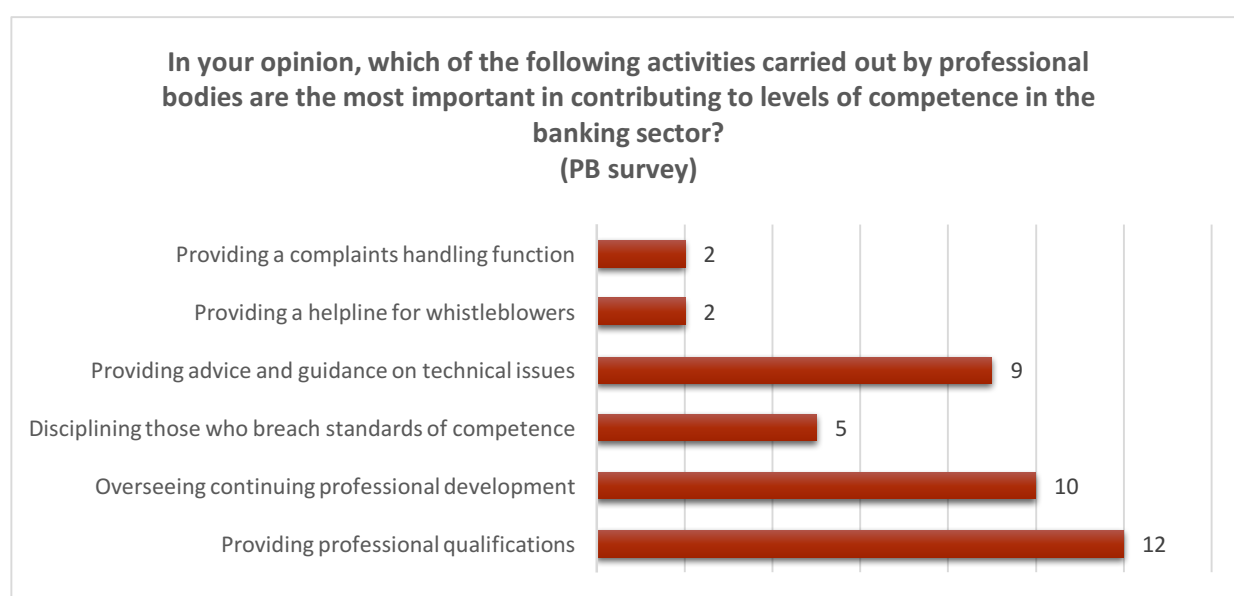
For example, all professional bodies have a code of ethics, but it was not always clear whether members engaged seriously with the code, or whether there were serious consequences for those who breached the code. Another example could be advice and guidance. This was generally offered by professional bodies but not always in a very formal way, with formal guarantees of confidentiality, etc. In many cases, use of advice and guidance services by members appeared to be quite low.

We asked survey respondents from banking-related professional bodies which of the services they offer are most important in contributing to levels of a) competence and b) ethical behaviour in the industry. The results are presented below:

**FIGURE 5**



**FIGURE 6**



While these results are largely unsurprising, one interesting point is that professional body respondents appeared to rate their professional qualifications and continuing professional development as relatively only moderately effective when it comes to improving levels of ethical behaviour. This is in line with the idea that banking professional bodies, in particular, see qualifications as primarily there to improve technical competence. (Note that the above results include those professional bodies which are not primarily focused on the banking sector as well as those which are, and so it is difficult to be sure exactly where the results are coming from.)

### 4.3.2 Advice and guidance

77. Advice and guidance can take the form of written guidance, perhaps offered through the professional body's website, or bespoke advice offered through a helpline (telephone or email). Interviewees discussed both of these.

78. Many bank and building society interviewees thought that professional bodies could play a valuable role in offering advice and guidance both to individual members and to firms:

*An external independent and neutral advisory capacity ... to help people calibrate what they are seeing.*

*It would be a great thing for them to come to us with seminars saying 'we've looked at the legislation here; this is our take on it'.*

However, some queried whether the professional bodies actually had the necessary expertise to do this effectively, especially on ethical issues, as was noted earlier:

*When I looked at it I thought 'are the institutes for people to tell us about ethics? Do they have a particular expertise in ethics?' I'm not saying they're bad. But if one day, I wanted to do a study on ethics, where would I go to? Would it be my professional institute? I'm not sure it would be.*

Overall there was a sense that banks and building societies do not think of professional bodies as one of their first ports of call for advice and guidance.

79. Some banking-related professional body interviewees acknowledged that this is an area in which professional bodies could be more effective than they are currently. There was general agreement on the importance of advice and guidance and some feeling that this was perhaps missing from the offer of professional bodies.

*I think that's a very good point... I think you're quite right to call that out. I'm trying to think of the last time I went on either the Chartered Bankers or the ifs websites, and I would wager it was probably to pay the subs or to find out a particular piece of information that I already knew was there. I wouldn't necessarily see it as a front of mind area to go if I wanted to find out about something.*

*Members are having difficulty because their line managers are putting them into a very difficult situation. That there is somebody they can turn to within their professional body for advice and support.... Things like that I think are really important. I don't believe that the banking industry really offers that, to that extent, yet. But I think we do need to.*

80. One suggested reason for a relative paucity of advice and guidance was the variety of banking work; one interviewee suggested that it would be difficult for banking professional bodies to provide effective advice for people occupying a very wide variety of roles. Yet it should be noted that the advice provided by professional bodies in e.g. law or medicine has to cover a similar variety of areas.

81. One bank or building society interviewee noted that a very helpful role that professional bodies could play would be to interpret and advise banks on the implementation of regulations, a function which is currently performed by consultants.

### 4.3.3 Continuing professional development (CPD)

82. Some kind of oversight of CPD, as well as provision of CPD, was universal among the bodies we spoke to. However, the amount (if any) of required CPD and the way oversight is approached is currently quite varied. Table 1 gives an overview of the CPD requirements of different professional bodies. More than any other professional body services, CPD oversight and provision seems to be undergoing considerable change, with professional bodies perhaps seeing it as a first step in moving beyond having the status of being essentially a qualification provider. One identifiable trend is for professional bodies to move towards a model of mandatory CPD. One (but not the only) driver in this has been the Retail Distribution Review, which mandates CPD for financial advisers.

83. Many bank and building society interviewees thought that professional bodies both could and should have a strong emphasis on CPD:

*For me the CPD is really important and I think to get a qualification without it, I'm not convinced there is a lot of point in getting that qualification. It's fine for three, four, five years but then it becomes a piece of paper, just no longer represents what you really are.*

84. On the other hand, bank and building society interviewees were also wary of CPD simply being of poor quality or 'a racket':

*The CPD stuff that comes on offer is often quite mediocre.*

Others noted that it is important to ensure that CPD is cost effective, particularly for smaller organisations.

85. The stakeholder interviewees tended to agree on the importance of CPD in keeping professional knowledge and skills up to date. There was also general agreement (with one exception, from a respondent whose CPD is not mandatory) that such CPD should be mandatory.

*How can banks ever... be professional by just ticking a box and they've got a qualification or gone through a training course unless you have to update your knowledge every year just to keep you up to date. I think that for me, would be the one thing I would like the banking sector to do.*

*Certainly someone who was qualified or did some training course five years ago, things have definitely changed in the last five years quite significantly. And yet... you're not necessarily trained or aware of what's happening in the last five years. It's a big gap.*

86. The accreditation of in-house training provided by banks and building societies seems to be a very popular approach. As one bank or building society interviewee noted:

*So I see a value in having professional accreditation because it demonstrates to the public and the government and the regulator that we are doing all the right things, yes.*

Several professional body interviewees said they were doing this already or trying to do it. On the positive side, this is one way of addressing the challenges arising from the size of professional bodies (see paragraph 118 below), since the bodies do not need to find their own trainers to provide such training. But there is clearly a need to ensure that accredited training is of a sufficiently high standard. There is a possible conflict of interest here for professional bodies because accreditation of training is a significant potential source of income.

87. Another means of overcoming the capacity issue that was mentioned by a number of professional body interviewees is delivery of CPD online, or using webinars etc. This also has the advantage of flexibility. Several professional bodies noted in response to a question about changes to services that they are moving training provision online. Several interviewees acknowledged, though, that online learning brings challenges, including a risk that the impact of purely automated learning can be quite low and difficult to measure.

#### 4.3.4 Overseeing ethical standards

##### 4.3.4.1 Discipline

88. While all professional bodies working in the sector have some kind of disciplinary role, these appear to be very varied, in terms of:

- The number of disciplinary cases arising;
- The ability of professional bodies to identify, investigate and resolve cases;
- The penalties available to professional bodies;
- The ultimate consequences for members who are excluded from professional bodies.

Perhaps more than any other area of their work, discipline appears to be the area in which banking professional bodies have the least clear idea of what their role should be.

89. Among bank and building society interviewees, it was often seen as important that professional bodies provide some kind of disciplinary procedure, because this gives credibility to the qualifications that the body offers. But it was noted that the disciplinary processes must be robust, and that there needs to be coordination with regulation. Some bank and building society respondents also felt that such disciplinary processes could be helpful to firms trying to ensure that 'rotten apples' do not simply move from one organisation to another.

90. Interviewees who felt professional bodies could play a stronger role in discipline pointed to examples from other professions:

*It might also include a sort of discipline where in order to work within institutions, one has to have a membership of a body like that. That if they transgress or don't comply with those behavioural or ethical codes, [then] that puts their employment at risk. Which is not uncommon with our professional bodies, certainly in my case as an accountant, if I didn't meet certain ethical and behavioural standards then I would stand the risk of losing my qualification which in turn could jeopardise my employment.*

91. The relationship with regulators was also seen by interviewees as a key issue and one that has a bearing on the question of effective discipline.

*In theory [some kind of disciplinary procedure would be helpful]. The problem is how that would interact with the overall disciplinary process that we get... under the senior manager regime certification.*

Banks and building societies already feel themselves subject to complex regulation, so many take the view that adding a further layer of regulation might only confuse matters. As one of the stakeholder interviewees noted, every member of staff in the industry would be covered by the FCA Conduct Rules, so an additional code of conduct and additional enforcement mechanisms



would be unnecessary and likely to muddy the waters. A bank or building society interviewee said:

*What you don't want to do with your professional body in banking and financial services is to replicate the role of the regulator because it's a tough job trying to work in that framework and our constant [request] is, 'keep it simple.'*

However, an interviewee from the regulatory side did think that the professional bodies have a useful role to play here:

*Personally I think they should [play a role]. I say that because the set-up of the regulatory framework, we've got rules and guidance but that can only go so far. We've got an approach to supervision which reflects our priorities and resources but it's an incredibly large and complex industry. Ultimately the ethical behaviour or culture that's displayed, regulators aren't standing there all the time to observe so there has to be some mechanism that allows that to exist, which is good for everyone including the firms, the individuals and the regulators. I think professional bodies... do have that role to play.*

92. Professional body interviewees were also unsure of their legal footing when it came to disciplining members. Two interviewees suggested a possible legal issue around human rights: that a professional body cannot remove someone's right to work by excluding them. Some professional body interviewees were wary of opening themselves up to external judicial review by instituting disciplinary procedures too strongly.

*Although we've got a much more rigorous system in place now and you know, you're very welcome to have a look at all the policies and procedures and things that we have and how we deal with cases, it's still the one area where you know, compared to other professions, because of the lack of statutory footing, you know, our powers are incredibly limited.*

93. There is also the issue of how professional bodies being responsible for discipline would be perceived by politicians and the public. As one professional body interviewee noted:

*I don't think self-regulation would fly in a bank-based setting, that's not something that I think the public or parliamentarians would support in a month of Sundays.*

94. One professional body respondent to the online survey made the following comment about the current situation:

*We are currently arguing for the introduction of a regulatory requirement, or a voluntary agreement (perhaps brokered by the Banking Standards Board) for banks to report misconduct by individuals to relevant professional bodies. Currently, there is no mechanism in place (except in limited circumstances, e.g. for retail financial advisers covered by the Accredited Bodies' Regime) for such reporting, which results in a situation where the current employer, a prospective future employer and the regulator may be aware of misconduct, but an individual's professional body is not.*

95. However, bank and building society interviewees were generally ambivalent about whether they would welcome professional bodies taking a stronger role in overseeing ethical standards. Several interviewees thought they could do more generally on ethics and culture. However, some interviewees who felt their organisations had a very strong culture of their own were a little more sceptical about this. One stated that:

*I get my values and my cultural view because I work for [name of firm] and I expect HR, Comms, and the other parts of the organisation to give me a sense of what it means to be an employee of [the firm]. I wouldn't expect a professional body to give me that.*

96. There was also generally little appetite among professional bodies for professional bodies to play a greater role in discipline, with the most commonly cited reason being worries about duplicating the role of the regulator and causing confusion, noted above.

97. The following story is interesting in relation to the whole issue of the relationship between banks and professional bodies generally, as well as discipline specifically. It should be noted, however, that the story comes from 2007 and it is possible (though not certain) that the same thing would not happen in 2016:

*I remember the first disciplinary case I was involved in when I joined [name of professional body] in 2007.... There was someone in their mid-twenties, who already had a role of some responsibility in a bank, [who] blatantly cheated in his exam... It was all caught on camera, and the evidence was incontrovertible. He then tried to bribe the invigilator... which was caught on tape so, unsurprisingly, he was expelled from the [PB]. And the next day we got a call from the employer saying, 'please can you consider again, and oh by the way if you are going to be doing this we really don't want any publicity'. You know, almost sort of threatening us: 'And if you do publicise this we won't give you any more students.' Because they didn't want the bad publicity themselves. I mean, I'm afraid, that's a very short-sighted reaction and it actually appalled me when I heard them basically saying, 'Look, is it really such a problem? You know, he only cheated on his exam.' Well, I'm sorry, this chap is looking after people's money.*

#### 4.3.4.2 Reporting, raising concerns and whistleblowing

98. Another way in which a professional body can contribute to upholding ethical standards is through its members reporting on unethical behaviour. Some professional bodies, including the ICAEW and the Institute and Faculty of Actuaries (IFoA), include in their codes of ethics a duty to report on, or raise concerns about, suspected wrongdoing. Hence, a member who sees something unethical and fails to report is thereby in breach of the code. None of the banking professional bodies currently have a specific duty of this kind in their codes – instituting one would be a firm step towards robust and effective discipline.

99. In general, the idea that professional bodies might provide support for whistleblowers found some support among bank and building society interviewees. When asked about this, the banking professional bodies tended to respond that they would try to help a whistleblower if one came forward, but none of them advertise themselves as a potential port of call for whistleblowers. Again, there is an issue of overlap with the regulator here, as the FCA already has an active programme of encouraging and supporting whistleblowers. However, there may be a specific role for professional bodies to help members who have a concern but are unsure of whether it warrants a report to the regulator. This could take the form of advice and guidance in the first instance, and perhaps communicating with the regulator on behalf of the individual in the event that a report does need to be made. As one bank or building society interviewee put it:

*....it's almost like having a coach or a counsellor [re whistleblowing]. So I see nothing wrong with that whatsoever. I don't think it lets organisations off the hook from having their own*

*whistleblowing policy or a policy that protects people when there is [reason] for their concerns.*

#### 4.3.4.3 Codes of Ethics

100. All professional bodies have a code of ethics, but a key issue is the extent to which they are known and understood by membership so as to effectively influence good judgement.
101. One interviewee suggested that, through their employers, 70% of the UK banking workforce is covered by the Chartered Banker: Professional Standards Board (CB:PSB) code of conduct. As of April 2016, this is now identical to the Chartered Banker Institute Code of Conduct, and it is also closely mapped to the FCA Conduct Rules. It should be noted that reach is not the same as engagement, and it would be interesting to know how many of the individuals covered by the CB:PSB code are aware of the code and its contents, and what they mean. There are also some notable gaps in the FCA Conduct Rules – for example, they make no reference to the public interest, and the difficult concept of integrity is left to be digested and understood by individuals without any accompanying guidance.

#### 4.3.4.4 Summary

102. Overall, there does appear to be some appetite for professional bodies to play a more robust role in disciplining members. However, there is some scepticism about this in firms, and there are a number of significant worries which would need to be addressed before this could happen effectively. Specifically, professional bodies would need to have in place:
- Clearly defined boundaries between their remit and jurisdiction and those of the regulator;
  - Appropriate channels of communication between the regulator, firms, and professional bodies;
  - The support of banks and building societies, working in partnership with professional bodies to investigate cases and to pass on relevant information;
  - Clear consequences for those who are found guilty of professional misconduct;
  - Clear channels for individual members to report, or raise concerns, and a culture of responsible reporting among such professionals, perhaps reinforced by a duty to report enshrined in the code of ethics.

#### 4.3.5 Thought leadership and network-building

103. Many banks and building societies thought professional bodies could play a useful role in thought leadership. They noted that the banks and building societies sector had the BBA as a trade body, but, *‘they’re clearly a lobbying group’*. The interviewee wanted a body *‘that speaks with a clear sense of professionalism’*.
104. One major challenge to this role is the diversity of the sector. With so many professional bodies operating in the sector, and the diversity of banking work, it is not clear that any one organisation can hope to speak on behalf of the sector. However, there may be a role for an umbrella body to bring together interested parties (including the professional bodies) and to summarise and clarify the latest thinking on particular topics.
105. Networking and community building was something that was touched on by several interviewees. One bank or building society interviewee commented:

*I think that community can only be helpful, and sharing best practices, that can only be [conducive] to a better culture.*

Members appear to consider that networking events would be useful as a way of building a community and sharing best practice. One professional body interviewee in particular was enthusiastic about this as a way of addressing issues of silo working and bankers not understanding how their roles fit into the overall work of banks.

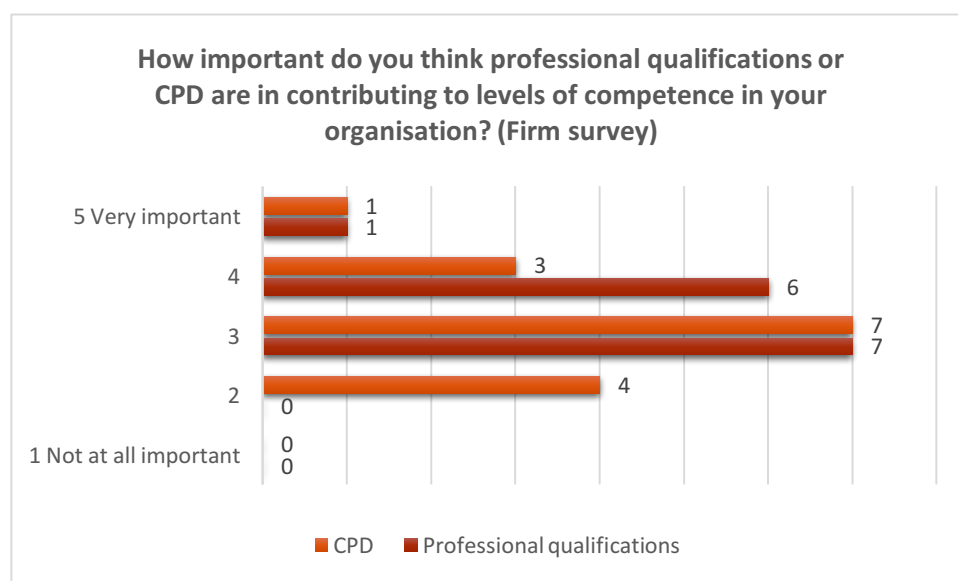
*There's a role for professional bodies in ... helping people from distant organisations to come together and share best practice. And one example I was talking to one of our senior members about recently, when he was a graduate trainee with a very large bank, they had very regular, at least two or three times a year all of the graduate trainees on that particular cohort would get together for a graduate trainee weekend.... He said how useful he found that as a young entrant into the banking sector, because there was a community of people who were going through similar kinds of experiences to him but potentially in different sectors of the bank....He thought it was a really good way for him to understand what other parts of the bank were doing and he felt like that was a really progressive thing and it was [something] that didn't really happen now that graduate trainees came into organisations and were immediately told 'you're in risk, you're in suppliers, you're going into commercial banking' and they were streamed off and that community aspect had been lost.*

## 4.4 The effectiveness of professional bodies

### 4.4.1 Effectiveness in delivering competence and/or ethical behaviour

106. Figures 7 to 10 show the perceived effectiveness of both professional qualifications and CPD in contributing to competence and ethical behaviour, according to banks and building societies, and professional bodies:

FIGURE 7



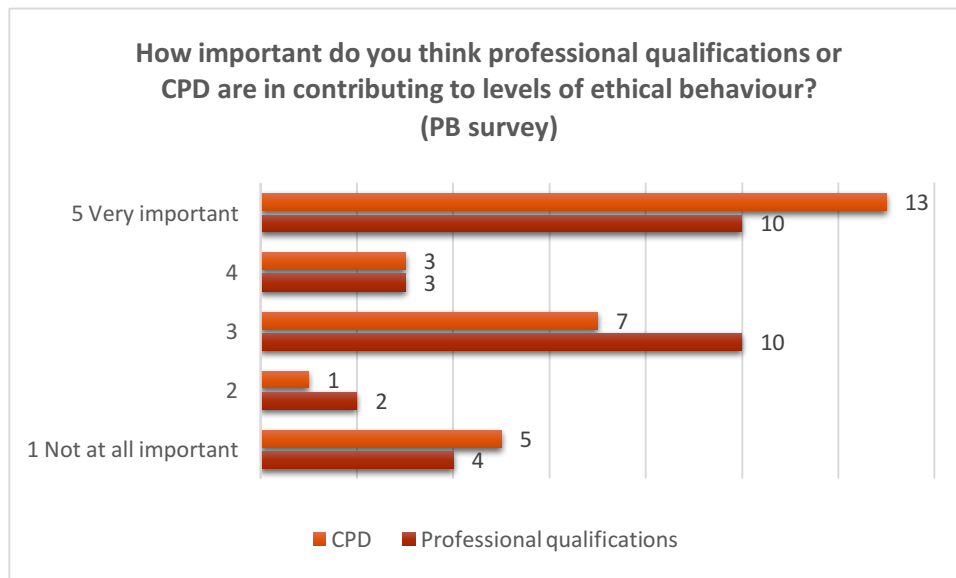
**FIGURE 8**



**FIGURE 9**



**FIGURE 10**



107. We also asked what would happen to levels of competence and ethical behaviour in the sector if banking professional bodies did not exist.

**FIGURE 11**

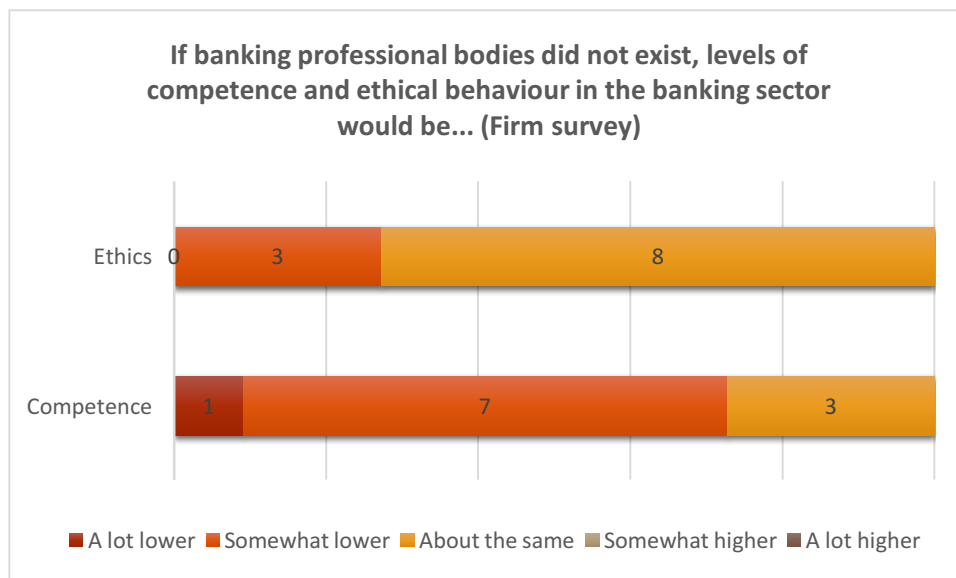
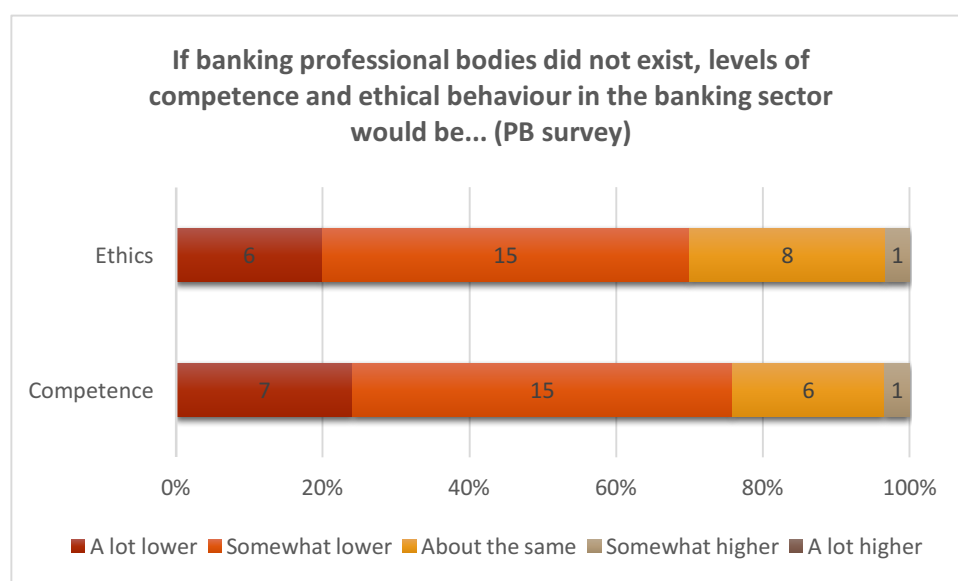


FIGURE 12



108. Taken as a whole, the charts above suggest that professional bodies are generally perceived to be more effective in contributing to levels of competence than of ethical behaviour. However, they also suggest a mismatch between the perceptions of banks and building societies and those of professional bodies themselves, with professional bodies rating themselves more highly than they are rated by banks and building societies.

109. In the interviews, banks and building societies were in general (but not universal) agreement that professional bodies were effective in respect of enhancing technical skills and competence. However, some noted that a professional body is not the only organisation that can provide such skills and competences, and employees could acquire this expertise in other ways. Professional bodies were seen as one provider of training among many. As one interviewee said:

*....we use them for those qualifications we have to use them for like [PQ]. Then for our other people we're tending to put them through more practical based development like NVQs.*

110. In general, professional bodies were more confident about their effectiveness in raising levels of competence than of ethical behaviour.

*I think professional bodies are very good at delivering technical competence.... We do that by going out and delivering to the banks and to the financial services industry and saying 'what do your people need to know to perform effectively in this role?' and then we work very hard to develop programmes of learning, be that qualification or a CPD programme or a piece of training and help meet that skills gap and the feedback we get from those programmes is very good. And we've got some very strong evidence to suggest that people who have been through our programmes use the knowledge that they acquire in their day-to-day roles, that they feel it's had a positive impact on their levels of competence and on their career progression and all those sorts of things so I think professional bodies do a really good job at that.*

111. The stakeholder interviewees had somewhat mixed views about the professional bodies' effectiveness in respect of competence. One said that:

*I think that they are absolutely vital, I think that they are still in the somewhat overlooked category.*

On the other hand, another suggested that:

*They should be doing more about developing a robust, high calibre, quality qualification and move away from very specialist, ad-hoc, low-level dumbed down certification.*

This supports the idea of a lack of a gold standard qualification in banking (see issue 2 in the central findings). As another stakeholder interviewee noted:

*If there is no framework from how those professional qualifications are acquired within a broader, bigger picture and there isn't a common thread or philosophy between all the very specialist qualifications, that's exactly where you lose it. So at the moment the professions, they do a reasonable job on the competence side, but because the professional qualifications are right now, they're not doing so well on the culture side.*

112. On ethical behaviour, some bank and building society interviewees thought professional bodies could contribute:

*I think there is something about bringing pride back to banking ... [and as well as internal work on values] ... if you can then rubber stamp it on top, I think that would help.*

Another said, *'they can [contribute], especially that social purpose role.'*

A third bank or building society interviewee commented:

*I think they could and should [contribute more]. I can't remember where this has been discussed but an idea of a bank and building societies version of the Hippocratic Oath would be a very good one.... There needs to be a code of ethics that people can cite that [they] should and can sign up to. 'This is the way I will behave in my job'. Professional bodies would be best placed to deliver that.*

A number commented that individuals speaking up about ethical issues is an area in which professional bodies can be effective, by providing support to those who speak out.

However, as noted above, some bank and building society interviewees were more sceptical:

*I get my values and my cultural view because I work for [name of firm] and I expect HR, Comms, and the other parts of the organisation to give me a sense of what it means to be an employee of [the firm]. I wouldn't expect a professional body to give me that.*

*I don't know enough detail to comment on [the ethical content] but my gut reaction is no, they're not [strong enough on that].*

*.....in terms of ethics and culture, prof quals can have a part to play but they're certainly not the answers.*

113. One way in which banks and building societies thought professional bodies had the potential to be effective in improving ethical conduct is by providing a 'second lens'. As one put it:

*I think so, because people ought to be getting messages from elsewhere that are reinforcing the good side [of the firm's culture]. If [the culture is] not necessarily working as well internally [as it should] it would help reinforce that. Also this general thing that... people being exposed to different ways of thinking is always useful.*

Bankers work in highly commercially pressured environments, and there is potentially a role for professional bodies in providing another way of seeing issues, with a separate set of background assumptions, values and priorities. Ethical issues such as the best interests of customers, for example, or the public interest, may be more salient to professionals who have undergone a



robust process of professional formation, who have ongoing CPD requirements, and who have the continuing support and oversight of an effective professional body.

As one interviewee observed, *'there is a remarkable benefit in there being an external observation of culture and ethics'*.

However, to be effective in this way professional bodies would need to take a robust approach to dealing with problems: *'the big crunch comes for me not in when it goes well, but when it doesn't go well and what does this body do when they encounter somebody they believe to be unethical?'*

Some interviewees also felt that a lot of professional bodies have not put much emphasis on ethics in their training, and therefore it cannot currently be assumed that members of professional bodies will be equipped with a 'second lens' in this way.

114. The idea that professional bodies do not put enough emphasis on ethics in their qualifications was also supported by one interviewee in a professional body (although it should be noted that not all professional body interviewees thought this):

*No, I think we could do a lot more and do a lot better. So, for example, if we look at the ... ICAEW, on their website, on their whole professional qualification programme, it's clear to see to me that [ethics] is something that is very important to them, and that ... they embed that in all that they do. And I think... the banking industry could learn a lot from that. So I think although... in part we talk about this and we've started to ... try to do something about it, at the moment we're still... coming from a long way behind.*

115. In general, there was a consensus among interviewees from all groups that banking professional bodies are not as effective as they could be in raising levels of ethical behaviour.

116. Professional body interviewees identified several factors which might limit their effectiveness at raising levels of ethical behaviour:

- The lack of a 'license to operate', i.e. mandatory membership for those working in the sector;
- Banks and building societies not seeing professional bodies primarily as providers of ethics;
- The presence of an entrenched culture in banks which is difficult for professional bodies to shift.

117. While some stakeholder interviewees thought that professional bodies could be doing more, most agreed that they were hampered by a) the fact that qualifications and membership are not a regulatory requirement and b) a lack of engagement and commitment from banks.

*When it comes to ethics and discipline, I think they all wrestle with the fact that they are voluntary bodies to an extent. And how do you hook or oblige people to become members and then sanction and discipline them so that it does have real meaning in terms of that individual's future life?*

118. The size of the larger banks relative to the size of professional bodies appears to be a barrier to effectiveness in respect of both competence and ethical behaviour, in particular because:

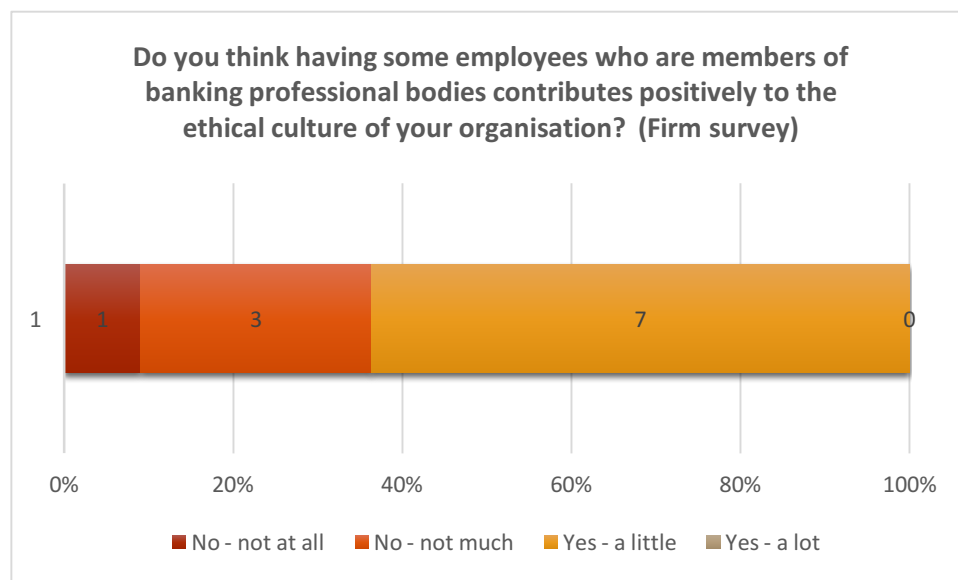
- The scale of training requirements can be beyond the professional body's capacity to deliver.
- The expense to banks and building societies of supporting large numbers of employees to study for qualifications can prevent them from committing, particularly when externally recognised qualifications increase the likelihood that employees will seek work elsewhere.
- The relative size of the organisations creates an uneven power dynamic between them (see issue 4 in the central findings). Particularly in cases where a professional body's training income is predominantly derived from one or two large banks, these banks are then in a position where they can put pressure on professional bodies to change their training offer to suit their needs. This is not always a problem but there is a worry that standards can slip.

119. Bank and building society interviewees felt professional bodies should look more to the future and become better at predicting developments in the sector. Some had a sense that professional bodies are behind the times. Again, there was some feeling that this might be more effectively achieved by a large professional body than, as is currently the case, a number of small professional bodies.

#### 4.4.2 Effectiveness in contributing positively to organisational culture

120. We were also interested in the effectiveness of professional bodies in contributing, not just to ethical behaviour on an individual level, but also to organisational culture in general. In the survey, responses of banks and building societies suggested only a partial endorsement of professional bodies' effectiveness here.

FIGURE 13



121. Respondents were asked to explain their answer. Some of the responses were revealing:

- *'Varied backgrounds and competencies contribute highly to diversity of thought.'*
- *'Not sure I agree that ethics and qualifications are the issue. Tone from the top and culture are.'*

- *'Not seen as relevant at the moment. The professional bodies seem to have become a method of generating money through exams.'*
- *'Professional bodies are more focused on technical skills than ethics and culture.'*
- *'Colleagues tend to carry out professional qualifications for regulatory or technical reasons. The focus on ethics varies by qualification. Overall, the day to day culture and reward system within which a colleague operates has a far greater impact on their behaviour than a course of study. Beyond that I would suggest that being a member of a banking professional body has minimal, if any, impact.'*

122. Interviewees in banks and building societies did think professional bodies played a role, but (in line with some of the survey comments above) noted that organisational culture also has a very significant effect on levels of ethical behaviour. As two bank or building society interviewees said:

*But I think by far the more powerful is within the organisation itself. It's almost like the biggest influence on children is family, that's where you spend most of your time.*

*The ethical side, not convinced by. It very much depends on the qualification you do. On what's covered. I have a view that by far the biggest impact on ethical behaviour of individuals is the environment they work in.*

In some cases, they highlighted the efforts of their own firm in that regard, rather than that of professional bodies, as noted above.

123. It is important to understand the limitations of professional bodies in affecting behaviour through organisational culture. Membership of a professional body will not stop a wicked individual, nor will a few individuals who are members of a professional body be able to turn around an organisation which has an entrenched negative culture. However, there is potential, as noted above, for professional bodies to provide an alternative lens through which individuals can view the activities of their organisation. Culture can be thought of as 'the way things are done around here'; individuals who are members of a professional body are able to think not only in terms of the way things are done within their employing organisation, but also the way things are done in their professional body. If the professional body is effective in articulating its values, it can encourage individuals to defend these values in cases where they are in conflict with the organisation. One or two professionals alone are unlikely to be able to change much, but if there is a 'critical mass' of professionals thinking in this way, a change in culture might be achieved. A professional body, then, is not a silver bullet but adds weight by highlighting ethical requirements. It also helps people to feel they are part of a wider community, which can support them in their ethical reflection, and can provide checks and balances on an organisational culture.

124. Some interviewee comments (banks and building societies) here echoed the concern noted above that professional bodies should not duplicate the role of the regulator. By contrast, others noted that if you leave ethics and culture all to regulation, this can be disempowering to employees. There can be a tendency for organisations to '*outsource their thinking*', leaving it to someone else to work out what is right and what is wrong, rather than taking responsibility for developing good judgement themselves, which is what a professional should do. One interviewee from the firms characterised this attitude as:

*'We know what we're doing is wrong, but please regulate us and we'll stop. And we can't stop until you regulate us.'*

The interviewee stated that:

*I can't subscribe to that view. If we know what we're doing is wrong, then we stop. It's quite parental [the approach above]. Banking has got that parental approach.*

125. Generally professional bodies thought they were able to have a positive effect on the culture of organisations, though there were some caveats to this. Some of these related to the uneven power dynamic between professional bodies and banks and building societies (see issue 4 in the central findings). In particular, there was little evidence that professional bodies are able directly to challenge banks and building societies on issues of culture. Again this contrasts with other sectors, in which stronger professional bodies are able to have a more even handed dialogue with employers in which they can challenge them on issues.
126. There was some discussion here of the 'organisational membership' (as opposed to, or in addition to, individual membership) model. Some of the professional bodies reported using an organisational membership scheme to increase engagement from banks and building societies. For example, the terms of the scheme might include provision of a certain level of support to employees seeking a professional qualification. However, it may be that, while this model increases the professional body's ability to influence banks and building societies in some ways, in other ways it limits the professional body's ability to influence culture. If the relationship is entirely with individual members, professional bodies can influence standards on an individual level which has a knock-on effect on culture. Corporate membership does not necessarily mean a dilution of standards in order to attract corporate members, but there is potential for a conflict of interest for professional bodies who use this model.

#### 4.4.3 Engagement with firms

127. Bank and building society interviewees were asked about professional bodies engaging with firms, and felt they would like more engagement and would be keen to engage themselves.
- I know I keep banging on about this, but you've got to keep it relevant.... [My professional body has] worked in partnership with organisations to make sure the standards, the qualifications, are much more relevant than has ever been previously." And "now with the cost constraints you want to make sure when you're paying for something it's going to be absolutely relevant and worth the money. I think we've realised now that partnership approach works well for both of us.*
128. Another said, 'I'm very keen that we work as a partnership with them. So they don't go "this is what we do, take it or leave it." We don't want to dilute standards or the robustness of what people can achieve, but we want to work together.'
129. One firm has entered into a deep relationship with a professional body and a University to develop a set of professional qualifications for its employees which have robust external ratification.
130. A key issue for professional bodies arises from the question of which individuals in organisations they are able to engage with. We found that professional bodies were engaging with the learning and development and HR functions much more often than they were engaging with higher management and the 'C-suite'. This may reflect, but also contribute to, the tendency for banks and building societies to see them as primarily training providers. In turn, this potentially affects the kind of influence professional bodies can have within banks and building societies.

131. There was a sense that some of the larger organisations may think (rightly or wrongly) that they can save costs and get a more tailored offer by conducting training in-house.
132. One interviewee reported that banks and building societies may need help in matching their competency framework against the professional body's qualifications offer. This person reported that sometimes the people they were speaking to in banks and building societies were not aware of their own competency framework and if they were, might not see the connection to professional qualifications. In a similar vein a bank or building society interviewee was keen on such help:
- They've mapped the content across to their qualification, and the completion of one of ours will give our colleague ten credit points, which is a third of the way towards a [professional qualification]. Not for everything, but for the right things, that's pretty attractive.*
133. Barriers to effectiveness can arise from cultural issues in banks and building societies. We spoke to a professional body representative from one of the more established professions who noted the contrasting relationship they were able to have with professional firms as compared with that with banks. This arose from a contrast in the culture of the two types of organisations – professional firms have a sense of shared values and objectives with their professional body. By contrast, banks and building societies have tended to see professional bodies as suppliers with whom they have a transactional, commercial relationship (see issue 4 in the central findings), even though some firms now clearly desire a different kind of relationship. Again, the fact that banking qualifications are not mandatory may mean that banks and building societies can exercise more leverage over the content offered by professional bodies.

#### 4.4.4 Fragmentation of the sector and prospects for greater coordination

134. Both banks and building societies and the professional bodies (banking and banking-related) tended to agree that the number of professional bodies currently operating in the sector, and the lack of coordination between these bodies, was a barrier to their effectiveness. The results in this section relate to issue 3 in the central findings.
135. On the number of professional bodies in the sector, many interviewees from banks and building societies did not know there were nineteen (see Appendix A for details) and were surprised at the quantity. Most would like there to be fewer, though not many said they would favour a single professional body. One worry here was that there would be a monopoly effect if there were only one. One bank or building society interviewee commented:

*I'm not sure what the entire range of nineteen looks like and if they've all got credible competing offerings in the market then if those that were the stronger were to survive and maybe receive their Banking Standards Board's seal of approval of course material, I'm sure that would help so that they're accredited or authorised or sanctioned or approved by Banking Standards Board. That might be a way to go.*

Some thought this tied in to the issue of the value of the qualifications and having gold-standard qualifications (see issue 2 in the central findings) – if there were so many qualifications available this would contribute to their lack of recognition either within the sector or amongst the general public. One bank or building society interviewee said:

*I definitely think it would be helpful if it was that streamlined, definitely would be helpful for banking to have it streamlined, and then it would have to be really, really clear what the standards actually are.*

136. In agreement with interviewees from banks and building societies, professional bodies themselves tend to admit that the number of professional bodies operating in the sector, and the different territory covered by different professional bodies can lead to a confusing market for qualifications. Given the overall proliferation of qualifications, professional bodies acknowledged that it can be difficult for banks and building societies to judge their quality. The views of these interviewees on how many professional bodies would be ideal exactly matched the views of banks and building societies: most thought there should be fewer, but not many thought there should be only one.
137. On the other hand, two advantages to a large number of professional bodies were identified by professional body interviewees:
- Healthy competition between professional bodies driving up the standard of qualifications.
  - The need to cater to the varying needs of a highly diverse sector.
138. There was a strong indication in the interviews overall that the diversity and number of professional bodies might also lead to scale effects in terms of what the professional body could offer members and in terms of their capacity to do things like thought leadership which was something that banks and building societies saw as a valuable potential offering (see ‘thought leadership and networking’ above). Some professional body interviewees also noted this problem – with so many professional bodies around, there is often no consensus view available. The small size of professional bodies is also a source of significant challenges in engagement with larger firms: a large bank might request training on a huge scale, beyond what professional bodies have the capacity to deliver. Professional bodies tend to use freelance trainers and can in theory bring in extra trainers when required, but this depends on trainers being available in the numbers required, which is not always the case. This appears to have led to an increase in online learning provision (see section 4.3.3 on ‘CPD’ above), which addresses the issue of scale but brings its own challenges.
139. When asked about the coordination between professional bodies currently, interviewees generally identified healthy but largely informal relationships, but some firms felt coordination could be much more systematic, perhaps aided by a canopy body, as suggested in the quote in paragraph 135 above. Several interviewees expressed a desire to build more robust relationships. The general impression is that there appears to be collaboration but not in a deep or systematic way. For example, there does not appear to have been any attempt by professional bodies to collaborate on a gap analysis on skills and qualifications, in order to build frameworks among qualifications.
140. Professional body interviewees were generally positive towards the prospect of more clarification of the current offer and a more coherent approach among professional bodies, with simplification of the qualifications offered.

## 4.5 The future for the professional bodies in banking and the role of the BSB

141. We asked professional body interviewees where they would like their professional body to go in the future. The most popular type of answer related to raising the profile of

professionalism in the sector. This is consistent with the bank or building society interviewee already noted:

*So I think their profile is low. I think it's a profile thing.*

Many interviews stated that they would like to get to a position whereby there is an expectation that bankers will have a professional qualification. One interviewee noted that the UK is seen as a leader in financial services, and so a drive towards greater professionalisation in banking has a chance of driving a similar change on a global scale.

142. It was noted that changing the culture of banking is likely to be a long-term project.

143. We also asked professional bodies whether they thought qualifications in banking should be mandatory for bankers, or for bankers in certain roles (beyond those in which qualifications are already mandatory). Most thought they should be while acknowledging that they had a vested interest in saying so, and also expressing some worries:

- That professional bodies may become 'ossified' and complacent in the absence of a need to sell their services to banks and building societies.
- That both firms and individual employees may resent professional bodies if membership is mandatory, and may see membership as a 'tick-box exercise' and be reluctant to engage actively.

144. Bank and building society interviewees were divided on the question of whether a general qualification should be required. A number were enthusiastic, but others more cautious.

Amongst the more cautious, one said:

*This is maybe where the rubber hits the road. If I'm talking as a member of society, I wouldn't want my doctor or my engineer not to be professionally qualified. So why wouldn't I want anyone who is involved with my financial well-being, bank or otherwise, my observation would be it shouldn't just be banks.... My view from the inside looking out would be to say, 'no, please no.' But I can absolutely see why from a societal view I would be saying, 'please yes.'*

Another said:

*I think it should be supported but I'm not sure it would be required.*

And another:

*Possibly, I think that's fair comment as to certain degrees of authority or certain degrees of impact or influence.*

And another:

*I really don't like the idea of mandating a qualification for all. I'd probably need to be convinced of what the outcome is providing.*

#### 4.5.1 The BSB

145. There was considerable discussion of the role of the Banking Standards Board (BSB), and what interviewees would like that role to be. Many in both firms and professional bodies talked about some kind of coordination role – they felt a need for more coordination of the professional bodies in the sector and looked to the BSB as possibly providing that. One way to

achieve this would be to accredit professional bodies, or to ratify them as competent to provide qualifications or competent themselves to accredit the training provided internally by firms. Another way would be to set standards directly for qualifications in order to create a 'gold standard'. The BSB should not be interventionist and try to regulate all qualifications across the board, but could set out mandated content at a high level. As already noted, one bank or building society interviewee said:

*So some influence from that perspective [nudging from the BSB] would be great. I wonder if that's possible.*

146. It was thought the BSB might have a role in defining frameworks of qualifications in order to make the qualifications offer clearer to banks and building societies. Related to this, one interviewee thought the BSB might help to define those roles within banks which ought to have a banking qualification – i.e. defining what is a banking role as opposed to other specialisms and roles.

*Certainly a common framework around standards would be very useful. And that's certainly the involvement the BSB may want to take on. And to provide clearer direction to the industry around expectations there. I don't think it's necessarily the case that it will be served by a single qualification, but certainly a single set of standards... I think would be good.*

147. One professional body interviewee talked about the way bespoke qualifications can be developed for banks who then lose interest after the individual driving the work leaves. Again, a common framework of 'gold standard' qualifications set out by an external organisation would be helpful here.

*You know we'll get someone saying 'we need a qualification in credit risk management' and ... we've got staff to put through it, we'd really love it for you to help us develop such a thing and we'll go in there and we'll do it, we'll develop a really good qualification and two years down the line that person moves on. And the next person comes in and says 'nah, I don't think that's what we need'. They'll want something different. So from a professional body perspective, that creates challenges with planning and resources and all that sort of stuff. And again, that's maybe where the banking standards board has a role. Which is to try and achieve some sort of level of consistency within organisations about where, people performing these roles or these functions, what is a reasonable expectation and the level and content of their professional education. Which then organisations could potentially benchmark themselves against and use it as a guide.*

148. Looking at culture across the banks and building societies sector the BSB might intersect with professional bodies in a way which would provide a check for consistency, perhaps by means of some over-arching code of ethics, or set of ethical principles for banking, though this would have to be linked appropriately with the FCA code of conduct, the ethics codes of individual professional bodies, and the values set out by particular firms. However, such a set of principles might actually again provide some coherence to this diversity. Respondents thought it would be valuable to have an external body with the right kind of reputation and authority.

149. Another bank or building society interviewee noted that it needs to be clear that the BSB is not another regulator. The banks and building societies feel quite heavily regulated and would not welcome another body in that role. But one bank or building society interviewee was optimistic:



*I think so. I can see an ecosystem where all three [regulator, PB, and firm] co-exist and have valuable parts to play in the whole.*

150. The BSB could focus on the issue of a general professional qualification in banking and ask what do we (as a banks and building societies sector) need from such a qualification, what would make it meaningful and valuable across the sector, and what technical and ethical content should it have? The BSB could also play a role in respect of the international standing and value of a professional qualification, noting particularly the international nature of banking and of many banks and building societies.

151. Another possible role would be around thought leadership. It was also suggested that the BSB could allow all organisations in the banks and building societies sector to have a voice and to share good practice.

152. Among professional body interviewees, the most common suggestion was that the BSB could play a part in generally raising the profile of professional bodies in order to get employers on board with the professionalisation agenda. This might include emphasising the need for banks to engage actively and deeply with professional bodies. The professionalisation agenda is not about banks outsourcing their responsibilities on ethics and culture; they need to engage in a constructive dialogue with professional bodies and be open to challenge. It might also include changing the perspective of banks and building societies so that they see professional training as something to be proud of, something they would want to publicise. A bank or building society interviewee also had a similar kind of thought:

*It is a bit of a philosophical debate and why then Banking Standards Board's been set up. I think it's trying to move banking and financial services more generally by saying 'we're a key part of how society works' rather than just money making businesses.*

153. The BSB might also play a role in keeping the process of cultural change going in the long-term and creating sustainability. If this is seen as a short-term project, it will not be effective.

154. Another suggestion was that the BSB might help to set up channels of communication between professional bodies and regulators, in general, but also especially on specific areas including discipline.

155. One interviewee thought the BSB should have a strong steering and coordinating role:

*I think it does need more coordination and I guess perhaps it's fair to say that if that, if the industry and professional bodies cannot deliver on that process. Then I think, absolutely, I think it's then down to the role of somebody like the Banking Standards [Board] or the regulators to say... 'We told you what you needed to do but you haven't really done it.'*

156. On the other hand, another interviewee thought the BSB's approach should be to use gentle persuasion rather than being dictatorial, in a similar way to the bank or building society interviewee quote about nudging above:

*I get the impression that a lot of what the Banking Standards Board is trying to do is by gentle persuasion and not been doing too dictatorial or prescriptive. Now I think it's got to be by gentle persuasion, by peer pressure, by suggesting that all the banks do it then they'll work together to raise standards. If one does it then there might be an outlier that they may or may not feel comfortable with so I think that, it's got to be that sort of gentle persuasion that... stems from the banks themselves.*

157. Stakeholder interviewees were enthusiastic about the scope for the BSB to use its profile to promote professionalism and the work of professional bodies, and to drive engagement from banks and building societies.

*The BSB have a wonderful, wonderful opportunity to promote and highlight the work of professional bodies because as I say they're kind of underutilised and probably under recognised at present. The BSB - because it hasn't got statutory backing, that's not what it is - but it came out of ... the Parliamentary Commission on Banking Standards and the Lambert review. So it's got a thread running back to Parliament if you like, and that gives it huge profile, and the budget, obviously means ... that they're very good at getting media coverage, their budget is massive compared to the one that I have got for example ... With the voice and the profile that the BSB have, I think they've got a wonderful opportunity to promote and support active initiatives.*

*I know that they want to establish the basics and understand this landscape before they start offering opinions but they are the ones that will be instrumental in supporting the growth, the uptake of and the services of professional bodies because they've got the ear of the chairman, they've got the profile, they've got the voice and I do think that they have a wonderful opportunity to promote this aspect of banking.*

## 4.6 Professional bodies in banking and a community of interest

158. Several questions arise from the above as to how professional bodies in banking and building societies a) move beyond being perceived as simply sellers of qualifications, b) develop a gold standard level of qualification(s) become more effective in affecting levels of ethical behaviour and contributing positively to the culture of banking, c) help to embed the idea of the social purpose of banking, d) facilitate the sharing of best practice across the industry and e) achieve a coherent voice in thought leadership for the industry.

159. One idea that has been incipient in a number of the quotes above is the idea that the professional bodies in banking and building societies need to foster 'communities of interest' and that this will contribute to achieving some of the goals above (and perhaps others too).

160. Before turning to consider what can be learnt about professions as 'communities of interest' from other professions, we conclude this section by briefly reviewing again three or four quotes from the interviews which point in this direction.

161. So, one bank or building society interviewee said:

*I can see the value of the structure that ... the GMC [General Medical Council] have, that you have one body across the industry that says 'here's the standards, here's the qualifications you have to have to be able to practice in this arena, and here's the ongoing way of working.' There is a strong sense of community and belonging and professionalism and 'we're all in it because of this'. I think that would be to me a very useful benchmark model....*

And another noted:

*I think that community can only be helpful, and sharing best practices, that can only be [conducive] to a better culture.*

A professional body interviewee also focused on the notion of a community:

*There's a role for professional bodies in ... helping people from distant organisations to come together and share best practice. And one example I was talking to one of our senior members about recently, when he was a graduate trainee with a very large bank, they had very regular, at least two or three times a year all of the graduate trainees on that particular cohort would get together for a graduate trainee weekend.... He said how useful he found that as a young entrant into the banking sector, because there was **a community** of people who were going through similar kinds of experiences to him but potentially in different sectors of the bank....He thought it was a really good way for him to understand what other parts of the bank were doing and he felt like that was a really progressive thing and it was [something] that didn't really happen now that graduate trainees came into organisations and were immediately told 'you're in risk, you're in suppliers, you're going into commercial banking' and they were streamed off and **that community aspect had been lost.***

A third bank or building society quote developed the idea, as we saw earlier:

*It would be absolutely amazing to have a professional body that was creating a much stronger dialogue collectively across the banks as opposed to financial services: What are we here for? How is it working? What are we struggling with? It creates a sense of belonging and unity that we're doing something useful that is worth talking about rather than being beaten by the regulator. The more we can get the dialogue out and start really helping not just other banks but society in general, I think there's a stronger sense created that reminds you of stewardship on behalf of society and more than that obligation to.*

This senior bank or building society interviewee linked this conception of a professional body to what people working in banking now seek:

*Most doctors feel on obligation to do their job to the best of their ability because they're working on behalf of a broader purpose. I don't think that exists in banking. I think it's feasible it could. But I think the people in banking, particularly the younger generation that's coming up, are seeking more meaning from what they're doing. They're not just in it for the money.*

162. We turn now to the insights gained from interviews with non-banking professional bodies.

## 5 Comparisons with other professions

In order to reflect on the possible role for professional bodies within the banking sector in improving ethical behaviour and culture, it is useful to consider the contribution made by professional bodies in other important areas of working life, and to compare how some of the issues for professionalisation in banking are addressed in other professions. For the results in this section we conducted interviews with a number of non-banking professional bodies, as well as undertaking desk based research.

First, we present some perspectives from other professions on specific aspects of the role of professional bodies in professionalisation. Then we set out some general conclusions about what makes for an effective professional body, with a particular view to what the banking sector can learn from the other professions we have investigated. This includes two possible models – the ‘engineering model’ and the ‘hospital model’ – aspects of which might prove fruitful for the banking sector. We conclude with a section which returns to the notion of a professional body as a community of interest, as something which professional bodies in banking may wish to consider.

Comparisons with other professions are presented in tabular form at the end of this section.

### 5.1 Results

#### 5.1.1 Qualifications and training

##### 5.1.1.1 Accreditation of qualifications and training

The approach to the accreditation of qualifications and training differs greatly between different sectors.

In some professions, either professional bodies or regulators may accredit either individual courses or whole institutions to deliver courses. In law, the Solicitors Regulation Authority (SRA) accredits universities to provide law degrees. In engineering too, professional bodies accredit universities to provide engineering degrees. However, in contrast to law, it is no longer mandatory to take an accredited degree in order to be a member of an engineering professional body or achieve Chartered Status. Previously this was required but the requirement has been dropped in order to be more inclusive. (Note also that ‘engineer’, as opposed to ‘Chartered Engineer’, is not a protected term). However, as a matter of fact *‘all of the major universities’* will be accredited with respect to the engineering degrees they provide. In medicine and dentistry, the GMC and the GDC accredit universities to provide medical and dental degrees (and these are mandatory to practice as a doctor/dentist). Most actuaries will not have completed a degree in actuarial science. However, completing such a degree will qualify you for exemption from some of the IFoA’s qualification requirements. ‘Actuary’ is not a protected term, although in practice it would be very hard to work as an actuary without the IFoA qualifications. There is a similar situation in accounting, although accounting degrees are more common than degrees in actuarial science. In connection to this, it is worth noting that the Chartered Banker Institute is making efforts to accredit some finance degrees.

In some professions, CPD is also accredited by the professional body. This is the case in medicine, dentistry and law. However, in none of these professions is it mandatory to take accredited CPD. In actuarial science, the IFoA does not formally accredit CPD by external providers.

### 5.1.1.2 General or specific qualifications within professions

As a comparison with banking, we asked how general or specialised were the skills and knowledge required by people working in the different professions.

The Law Society of England and Wales noted that solicitors have been getting more and more specialised over the years. Qualifications still have a very large general component, but the result of this can be that there might be large areas of knowledge falling outside your specialism that you do not revisit following qualification.

In qualifications in engineering, law and medicine there is a pattern of starting general (that is covering a set of materials which all engineers or doctors cover) and then specialising, although the proportion of general to specialist content varies. For example, in engineering typically just the first year of a degree is general. In medicine, the first seven years are largely general (in this sense of being materials which all doctors cover).

In intellectual property law, the legal knowledge and skills are largely common to all professionals. However, individuals have specialisms in terms of the types of intellectual property they work with. For example, a patent attorney might qualify as an engineer before moving into IP law, and would then specialise in engineering patents.

Interviewees from both a medical and a financial professional body stressed the importance of the professional and ethical aspects of the general components:

*Those seven years are about acquiring your technical and clinical skills, your science knowledge, but also learning about how to be a good doctor in the broadest sense. So understanding about the legal, ethical, operational, and other expectations on you as a professional. In two years, in your foundation programmes, you're beginning to drill down because you're now in a clinical practice setting. You're in a hospital, you're doing rotations, into different areas of medicine, including general practice. So you're getting real experience of clinical practice.... So you're building both your technical, clinical skills and your broader professional personality and skill sets, and after that, having had a number of clinical placements, you're able to begin to start specialising.*

### 5.1.1.3 Continuing professional development

There is considerable variation in the ways different professions approach CPD. In particular, CPD is often, but not always, subject to specific requirements in terms of hours, with this perhaps being a less common feature of the 'established' professions (for example, medicine, law and accountancy). There could be a number of reasons for this. One might be that in the established professions the expectation that one will keep up to date is so firmly embedded in the culture that all professionals would routinely exceed mandatory minimum hours anyway. This is perhaps part of a wider culture of individual responsibility for maintaining standards: setting a minimum level of CPD might be taken to imply that the professional body has responsibility for maintaining competence, whereas in fact this responsibility properly rests with the individual professional. The Law Society of England and Wales has recently moved away from a compulsory enforcement of mandatory CPD hours by the regulator.

Nonetheless, there is in all of these professions a requirement for the professional to demonstrate that they are keeping their knowledge and skills up to date. Interestingly, both medicine and law are

in the process of instituting a licensing regime in which a designated person within each organisation has responsibility for monitoring and coordinating CPD for all members in that organisation, a system which is already well established in actuarial science. As the GMC put it:

*There's a combination of active responsibility on the doctor as a professional to be engaged in a process of annual review and reflection and evidence-gathering, but the organisation also has a responsibility to ensure that that is happening - that the doctors are receiving support for that and then to make a recommendation about the doctor's continuing... fitness to hold the license.*

In contrast with the above approaches, in engineering the Engineering Council has just introduced a minimum requirement for CPD (20 hours) which will come in from 2017. Previously it was encouraged but not compulsory. This is a big change for the engineering professional bodies, who will be responsible for overseeing it. They are currently working hard on getting the message out to members about what this means for them in practice, and developing an infrastructure to record the CPD undertaken.

In actuarial science too there is a system of mandatory minimum hours. There is also a distinction between those who work in reserved roles (i.e. those roles which legislation prescribes must be undertaken by a Fellow of the IFoA) and those who do not. The IFoA issues practice certificates for reserved roles. CPD is mandatory for all members but those who need a practice certificate have more stringent requirements.

Related to the above, a theme that arose in interviews with several of the professions was the need to avoid a 'box-ticking' approach to CPD. While setting mandatory minimums for CPD can signal that it is taken seriously and give the body or regulator a basis for assessing members' CPD, it can lead to an assumption that all that matters is 'getting the hours'. In fact, it is easy to demonstrate that one has filled a time requirement and it is practically impossible for the professional body to verify that the hours have really been achieved and, if so, that this genuinely enabled the professional to keep his or her knowledge and skills up to date. Perhaps more effective is the model where professionals are asked to actively reflect on their learning and the outcomes of their CPD, as in the portfolio approach now being developed by the GMC (and operated by engineering professional bodies for achieving Chartered Status).

One interviewee acknowledged that there is sometimes a challenge around persuading members to take CPD seriously:

*There is a stigma I think about CPD amongst professional practice generally. And there can be this rather negative reaction where people think that they're perhaps a little long in the tooth and they know what they're doing and they're qualified and being over-regulated by this process-driven CPD scheme.... There's a cultural piece there. There's a cultural piece around getting people to accept that lifelong learning is not only appropriate and interesting but is a responsibility.*

### 5.1.2 Active involvement of members

Becoming a genuinely living professional body in which members have a strong sense of professional membership is a challenge in many other sectors. Interviews revealed two distinct aspects of such development.

### 5.1.2.1 Engagement with members

The number of volunteers a professional body can call on to help with its work is both a measure of its success in engaging with members and a means of increasing engagement. Two organisations who seem to be having success in this area are the IET (3,000 volunteers out of a membership of 165,000 and especially the IFoA (3,500 out of a total membership of just 28,000).

This type of engagement is one key factor in fostering a sense of shared values and a ‘community of interest’ in the profession. It is also particular to professional bodies (regulators, for example, clearly will not be able to call upon volunteers). However, there can be a risk of ‘too many voices’:

*I think we have a massive advantage as a professional body... because we have a great engagement with our members.... An independent statutory regulator wouldn't have the benefit of that. But there are challenges in that too.... There's a challenge in maintaining a balanced and informed perspective around the world. There's a challenge in who you listen to. There are almost too many voices at a time if you're not careful. There's a challenge in decision-making.... I think there's a massive advantage in having an engaged profession. You can't do it all alone.*

### 5.1.2.2 Networking

Networking opportunities provided by the professional body were identified as a useful aid to career development for professionals, and a means for sharing good practice and common challenges.

It was noted that changes in career patterns mean that people do not tend to stay with a single organisation for all or most of their working life. One role of the professional body, then, is to provide continuity and a sense of community for professionals who might move between employers quite frequently. It was also noted that networks provided by the professional body could help to provide job security – in the event of redundancies professionals can be kept well-informed about developments in the sector, and can have access to contacts who might be able to help them to find their next career move.

### 5.1.3 Overseeing ethical standards, and discipline

In many professions, fostering a commitment to a common social purpose, and a set of ethical values, is another important aspect of a flourishing professional body.

There are various approaches to inculcating professionals with the ethical standards expected of them. In medicine and dentistry, the GMC and GDC set out the ethical standards for the profession, and these are made known to students on entry to the University (which is also entry to the profession). Student members of the profession are subject to the requirements and aspirations set out in the professional ethics code, from the beginning of their undergraduate studies. The GMC and the GDC also lay down guidelines regarding the teaching of the key ethical principles (for the profession) within medical and dental curricula. And this responsibility for inculcating professional ethics remains an important part of CPD in the profession thereafter.

In medicine, the Hippocratic Oath has long encapsulated key ethical principles in medicine and some Universities have recently introduced ceremonies where cohorts of medical students recite the oath (or a modern version) collectively, as part of the inculcation of the levels of ethical behaviour set down by the GMC. This is not universal practice at present.

In accountancy, ethics content is built into the curriculum overseen by the ICAEW at all levels. In assessment, students are expected to highlight ethical aspects of cases alongside other more

technical aspects, thus ensuring that ethics is seen as integral to accounting practice rather than a separate area of study.

All of the professional bodies we interviewed (in law, finance, actuarial science, medicine, dentistry, and engineering) had a code of ethics or code of conduct. In law the relevant document is the SRA Handbook which includes a set of principles and a code of conduct. Codes are used as the basis of disciplinary procedures but also to give advice and guidance to members. Several interviewees identified efforts by the professional body aimed at bringing the code of ethics to life. These included online ethical scenario-based learning such as that noted under 'advice and guidance' below. The Law Society, IPReg, IFoA and the IET all provide scenario-based CPD in ethics for their members.

The way disciplinary procedures are dealt with is quite similar in different professions. One notable difference is the extent to which the results are published. For example, the IET treats the outcomes of disciplinary cases in confidence, whereas the IFoA publishes the outcomes of all its cases.<sup>18</sup> There may also be associated differences in the robustness of the disciplinary processes (e.g. the constitution of the disciplinary committee, the resources available for investigating disciplinary matters, and so on).

One of our interviewees noted that there is a challenge for a professional body with an international membership to set standards that will be meaningful in diverse societies around the world. There might be a tension between the need to provide genuine guidance and the need not to impose values where they are not appropriate.

#### 5.1.4 Reporting and Whistleblowing

Associated with being part of a profession in which the purpose of the profession, and its standards of ethical behaviour play a central role, is the profession's attitude to reporting issues, or raising concerns, and 'whistleblowing'.

Complaints are handled differently in different professions. However, there are usually clear channels for referral of complaints between the regulator and the professional body (assuming these are separate entities). For this to work, there has to be a clear and shared understanding of the different roles of the two organisations. Each must know when a particular case would be more appropriately handled by the other, or by the two working in partnership.

One interviewee noted that they viewed a large number of complaints as a sign of health:

*Personally, I worry if we don't have a sufficient flow of complaints. I worry because it's critical that we're relevant in the public mind-set. And that people are bringing issues to us and we're dealing with them.*

Another interviewee noted the central importance of reporting in maintaining standards:

*'We have got to promote the importance of professional self-responsibility and reporting and raising of issues.'*

Reporting and whistleblowing is generally seen as a centrally important tool in the monitoring and maintaining of ethical standards by professional bodies – it is perhaps the way professional bodies

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<sup>18</sup> In the IFoA, if the matter goes to adjudication, that is held in private, and there is no publication. However, if there is a finding of misconduct, or a referral from adjudication to a tribunal, these decisions are published.



most commonly become aware of incidents which require investigation. Because of this, some professional bodies make it a professional duty to report. The codes of ethics of the SRA, the GMC and the IFoA, for example, all contain a duty to report on others who are in breach of the code. A member who is aware of unethical behaviour and does not report, therefore, is potentially in breach of the code themselves.

### 5.1.5 Advice and Guidance

This aspect of the life of a professional body can be both a way of engaging with members and also linked to the body's role in thought leadership.

Most if not all professional bodies provide guidance in the form of publications on matters of central importance in their profession, often including ethical issues. However, not all professional bodies provide advice to individual members, for example through the website, by email or through a confidential phone line.

The Law Society of England and Wales has a practice advice service. The division of responsibility between bodies is that the SRA tells people what the rules are, and has a helpline through which it provides advice on interpretation of the rules, whereas the Law Society gives advice over and above rules, i.e. guidance and support around professional ethics. In the jargon, the SRA gives 'practice notes', whereas the Law Society gives 'guidance notes'. The Law Society also has a tailored area of the website – My Law Society – which gives information and advice on key themes. This includes ethical scenarios.

The Law Society also provides advice to individual members. If a member of the Law Society sought advice on something that raised wider (e.g. firm wide) issues that might require the intervention of the regulator, then,

*'If the caller had a serious issue with the firm, then... they would be shown the various options they could take. But it wouldn't be the Law Society's job to intervene on behalf of that professional and take up that issue with the regulator. If there's a complaint to be made, then that would be made by the individual'.*

Both the GMC and the GDC provide online advice and guidance and also a confidential phone line for oral advice.

IPReg (which is the regulator rather than a professional body) does not provide advice or guidance. The professional bodies in intellectual property law, while they do publish general guidance, do not appear to provide advice to individual members. The IET uses an online community for engineers to access advice. They provide a number of online resources including resources on professional ethics. They do not however provide individual advice. The ICAEW provides extensive general guidance and has a very active advice line.

The IFoA provide advice and guidance in a number of areas by email and phone. For example, the Professional Standards Service can advise on 'interpreting professional or technical guidance'. They also use volunteers to advise on interpretation of regulation:

*We've got hundreds and thousands of hits on our experienced member [professionalism/ethics] video material. And the take-off has been huge. We've got firms using it. This is not a sort of marketing mode but what this tells me is that there is an appetite for this. People... take this stuff*

*seriously and they want to understand these issues. And to me the format feels right. We're not preaching to people. We're not telling them this is easy. We're not telling them there are particular obvious right answers to every situation, but we're raising issues so they can be more self-aware when they have to make hard judgment calls.*

### 5.1.6 Thought leadership

The professional bodies to whom we spoke saw thought leadership as a key part of their role within their respective professions, usually associated with the mission of a professional body. Obviously it can contribute to the profile of the professional body within the wider public mind, as well as manifesting the body as a community of reasoners, a body exercising reflection on the life of the profession.

In engineering, thought leadership can be difficult in a sector with a large number of professional bodies (36 in engineering). There can be a lack of a coherent voice speaking on behalf of the profession. Particularly problematic is when the interests of the different constituencies represented by the different bodies are in conflict. For example, one solution to a problem might involve a lot of work for mechanical engineers, another for electrical engineers, and so on. This is a key role for the canopy bodies in engineering – the Engineering Council and the Royal Academy of Engineering – making sense of the diverse voices coming from different areas of the profession.

The focus of public engagement can depend on facts about the profession. For example, a major part of the IFoA's work is to, 'put the relevance of actuarial science in the public domain, raise the profile of our membership collectively and what actuaries can offer the world.' This is 'a little bit of a challenge as people don't necessarily or intuitively understand what actuaries do.' In contrast, public engagement by the Law Society is more likely to be around specific issues of interest to the public.

### 5.1.7 The mission of a professional body

Clearly if a professional body expects members to be engaged in its life it is important that it has a clear sense of its mission, that the mission is one which members can recognise as important, and that it is communicated clearly.

As with the banking-related professional bodies, we asked interviewees from comparator professions what they saw their professional body's mission as being. This elicited a number of different answers.

- Several interviewees thought promoting the profession was a key part of a professional body's mission.
- One interviewee noted the importance of creating a community of interest, and of speaking on behalf of the profession without being a lobbying organisation.
- The GMC strapline is 'working with doctors, working for patients.'
- Another interviewee said the following when asked if there was a tension between maintaining standards and growing the membership:

*We have debated that but it's been very clear. There's no argument about the basic proposition which is that the priority is the [maintaining standards]. We don't compromise on standards, otherwise we simply die. We lose track of what we're about and if we do that- We're about very, very high quality, professional people who can be trusted and relied upon.*

*On the other hand, we want to spread that message and we want to make the profession more accessible to people who want to, and are capable of meeting those standards. We're not for profit, so we're not financially driven, in that sense. But part of our remit as one of the two biggest [profession X] bodies worldwide is if you like to represent [profession X]... globally, the more we can contribute by getting our message out there, the more people we can bring on board at the right level in terms of the right standards.*

- Another interviewee suggested that a sense of professional identity is key. The notion of the mission of a professional body as being to serve the public interest may be relevant here. The interviewee observed that all lawyers have '*a sense that they are officers of the court*'. This is an ethically rich idea that includes notions of social purpose, the public interest, the interests of justice, and so on.

### 5.1.8 Engagement with employers

There was some discussion of professional bodies engaging with employers directly. Most of the professional bodies with whom we spoke had some form of relationship with employing organisations as well as with individual professionals. However, the *primary* relationship for all of them was with their individual members. The focus of the Law Society of England and Wales in particular is very much on engaging with individual members as opposed to firms, and the primary focus of the GMC and GDC is with individual registered doctors.

IPReg, as the regulator for intellectual property attorneys, regulates both individuals and firms.

Some of the professional bodies have specific schemes aimed at employing organisations. The IET has a 'Corporate Partners' scheme. This helps them to recruit members but they also work with the organisations on channelling members into professional registration. They are also able to provide speakers who can go into organisations and speak on specific topics. The IFoA have a new 'Quality Assurance Scheme' which accredits employers, '*looking at what support they give students, CPD requirements, what kind of policies they have in place, whistleblowing, a whole range of things.*'

## 5.2 Models from other professions that may serve for comparison

As noted at the outset of this section, in considering professionalisation in banking, and the role of professional bodies in such a project, it may also be helpful to consider the following two models from other professions. Consideration of these 'models' arose in the course of reflection on both our interviews and our desk-based research.

### 5.2.1 The 'engineering' model

Engineering may perhaps be a profession in which the role of professional bodies, together with 'canopy' bodies, could provide a helpful model for the professionalisation of banking.

As in banking there is a very large number of engineering professional bodies (or professional institutes), more than thirty in total. Some of the professional institutes are very large (the IET has more than 160,000 members) and quite a number rather small with fewer than 10,000 members.

However, there are, in addition, two 'canopy bodies' the Engineering Council which has a board with representatives from all thirty-six professional institutes, and the Royal Academy of Engineering, which recognises distinction in the profession as a whole. Neither are professional institutes with members – the Royal Academy of Engineering has Fellows -- but both play an overarching role for the profession and contribute significantly to the development of professional standards.

Thus the Engineering Council accredits the professional institutes as themselves competent to carry out their professional roles. So the council accredits the IET, for example, as in turn itself competent to accredit University degree programmes or developing CPD activity. The Engineering Council also sets some common standards in the UK Specification (UK Spec), which must be adhered to in all engineering degrees.

So while there is considerable diversity regarding the knowledge required to become an engineering professional one significant mode of entry to the profession is through University degree programmes which are accredited by a professional body (IMechE for Mechanical Engineering, British Computing Society for Computer Science, IET for Electrical and Electronic Engineering, and so on). Whilst individual professional bodies accredit particular degree programmes, the Engineering Council seeks to ensure comparable standards across them all.

The structure of professional qualifications in engineering is also a potential model. On the one hand the degree level qualifications have a balance between general engineering knowledge which is delivered in the first year and more specialist knowledge in later years.

However, the engineering professional bodies also offer tiers of qualifications. The IET for example offers four tiers from an apprentice level to Chartered Engineer and it is no longer a requirement to have a degree to be a member, or to acquire Chartered status. So there is a flexible framework of qualifications and levels, and a similar sort of tiered approach might work for banking

Another potential area of comparison concerns the role of professions in raising levels of ethical behaviour. In recent years individual engineering professional institutes have taken an increasing interest in professional ethics, but this has been fostered to a significant extent by the two 'canopy' bodies, the Royal Academy of Engineering and the Engineering Council.

The Royal Academy of Engineering launched its statement of ethical principles for all engineers in 2005 (relaunched in 2007). There was close co-operation with the Engineering Council in this development. Individual professional bodies also tend to have their own codes of ethics, and large engineering firms might well have their own codes of conduct or ethics too. However, the aim is that all such codes should at least be consistent with the overarching statement of four main principles which has been set out by the Royal Academy.

As noted above the diverse professional bodies in engineering have responsibility for their members CPD. However, the Engineering Council accredits them to provide it and it has now introduced a common minimum requirement for twenty hours a year across all the diverse institutes.

The engineering institutes also have responsibility for their members' discipline and this should cover both professional competence and ethical behaviour. This is an area where there may be some differences from banking in that there is not a large regulatory environment in engineering, so not the challenge of integrating the disciplinary procedures of the professional bodies with the role of the regulators in that regard.

But in terms of their procedures, whilst professional bodies in engineering can remove chartered status, or expel a member from membership, this does not prevent that person from continuing to practice as an engineer so the force of the disciplinary powers is perhaps somewhat less stringent. Perhaps, also, the consequent impact on the ethos of the profession as a whole, and professional ethics, is not as great as that which professional bodies can achieve, in principle, in areas such as medicine and dentistry. So this (the engineering case) this might be closer to the current situation within the banking professional bodies.

The plethora of professional bodies may raise challenges regarding their effectiveness in working with the engineering industry, as well as in terms of the profile of a professional engineer in the public mind. As noted, the Engineering Council has a board on which all 36 engineering bodies are represented, in order to facilitate coordination but it was suggested in our interviews that the size of this board creates a challenge for effective decision-making.

Partnerships between professional bodies is another important issue, not least in terms of creating pathways for qualifications. It can prevent the need for individuals to be members of more than one professional body. The IET noted that they are working with the Chartered Management Institute to offer joint qualifications for engineers working as managers. This would enable IET members to attain a CIM qualification whilst still belonging to just one professional body. So professional bodies in engineering are beginning to address this challenge.

The number of different bodies in engineering also creates a challenge for thought leadership, as noted earlier, owing to the range of different voices, and here again the canopy bodies can have an important role in seeking to develop coherent messages from the profession as a whole.

### 5.2.2 The 'hospital' model

The 'hospital' model presents the idea that the role of professional bodies in professionalising large banks and building societies might have an analogy with the role of professions in large hospitals.

In brief outline the thought is that hospitals, like large banks, are organisations whose functioning depends centrally on the work of medical and healthcare professionals, but also requires large numbers of other employees, from IT professionals to financial and HR professionals, for example. In addition, hospitals also depend on the contribution of those outside professions, such as porters, kitchen staff and security personnel. Also within the medical staff there will be a wide range of levels of experience and expertise, from consultants through to care assistants.

In a similar way, banks depend on a very wide range of employees and within the financial personnel there will also be a very broad range of experience and expertise, from counter-staff to senior bankers. So one question that arises from this perspective is how broadly the requirement that 'all' staff in banks have a common professional qualification in banking should be understood. For it might be said that in a hospital there are many staff who are not expected to have any professional qualification which provides them with a very general technical competence with respect to the proper functioning of a hospital; and that even within the medical and nursing staff there is no common qualification which all hold.

It might of course be the case that the professionalisation of hospitals would benefit if there was some common qualification required of at least all medical and healthcare staff. It might be the case that the contents of this would be largely focused on developing a basic common understanding of the ethical and regulatory framework for hospitals, and much less on 'technical' matters.

It might also be the case that an implication of reflection on the 'hospital' model would be to note that the ethos of the professional medical personnel is at the centre of a properly functioning hospital and by contrast what is lacking from a large multi-disciplinary banking firm, or building society, is the professional ethos of banking professionals. Then on this view the model would suggest that there was a need for all or pretty much all of the employees working in the 'banking' functions of the bank to have a common professional qualification which would meet the current lack.

As with the engineering model, then, this model does not lead to any direct implications on how to make changes so that professional bodies can enhance levels of ethical behaviour and technical

competence in banks and building societies, but provides a frame for considering possible ways forward.

### 5.3 Achieving a community of shared interests

In a recent dissertation submitted to the University of Leeds, Rebecca Doodson reports Lord Benson's criteria for a profession set out in 1992 where Benson states that 'a profession must be controlled by a governing body, acting in the public interest, which (among other things):

- Sets adequate standards as a condition of entry
- Ensures that training and education continue throughout a member's professional life
- Sets ethical rules and standards designed for the public benefit, higher than those established by the general law; and
- Takes disciplinary action against transgressors.

Doodson notes that, 'these duties are very similar to the three pillars of professional regulation set out by the Professional Association Research Network (PARN), which are:

- Entry standards
- Complaints and discipline
- CPD and positive supports for ethical behaviour'<sup>19</sup>

However, Doodson goes on to cite Philip Mawer who identified 'an additional pillar of professionalism – the culture of a profession... and [who] notes that 'initial training and CPD need to be seen, not just as being about the acquisition of skills but as being about the shaping of members in the culture of a profession. We [the IFoA] are not in the business simply of training but of formation of members in the values and expectations of the Profession of which they seek to be, then are, a proud part.'<sup>20</sup>

These ideas are helpful in thinking about the aspirations that Professional Bodies in the banking sector might have, through which they might meet the needs identified by firms in our results section above. For these thoughts point towards the conception of a professional body as much more than a mere provider (or seller) of qualifications, but a community of interest, or in Cheshire Calhoun's phrase (in another context), a 'community of reasoners', and part of the social capital of society.<sup>21</sup>

This richer conception of a profession, as Mawer notes, gives a context to the provision of qualifications and CPD, and to the other activities of a flourishing profession, of serving the formation of the members of the profession with the goal that those members can take pride in that profession and thus wish to be active members of the professional body (literally limbs – Latin 'membra'). In being active members, and through the conception of social purpose articulated by the professional body, the members are thereby enabled to serve both their firms (in the case of the actuarial profession) and wider society.

To flesh out this view a little, it is possible to draw on the main points that were noted above in setting out our results with respect to the comparisons with other professions.

1. If becoming a member of a professional body is conceived as entering on a process of formation within the profession then the *mission* of the professional body, in which the social goal of the

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<sup>19</sup> Doodson (2016); quoting Benson (1992) and Mawer (2010).

<sup>20</sup> Doodson, *ibid*, citing Mawer (2010).

<sup>21</sup> Calhoun (1995).

profession is set out will be a crucial starting point since the purpose of the formation will be to enable the member to serve that mission (and wider goal).

2. In the light of the mission it will be possible to identify the key *ethical considerations* which anyone engaged in that profession needs particularly to attend to in virtue of salient features of that professional activity. So, for example, given that the conduct of medicine often necessarily makes patients peculiarly vulnerable to their doctors, whether physically or psychologically, the injunction to do no harm will be particularly appropriate to conduct in that profession. In a similar way, given that the basic activity of banking involves (very roughly) taking in funds from savers or depositors and allocating them to borrowers or investors, with appropriate judgements of risk, the requirement to act in a trustworthy manner will be a central consideration in undertaking that as a professional activity.

Understanding a profession as a matter of forming members within a professional body helps to explain why fostering in members an eye for the mission of the body and an alertness to ethical considerations need to be central activities of the professional body.

3. This conception of a profession helps then to inform the setting of appropriate entry standards and delivery of appropriate *qualifications* and *CPD*. These can now be understood as contributing to member formation. The concept of formation implies an appropriate staged development with respect to well-designed qualification and continuing professional development. It also underpins the view that such activity does not cease, since both keeping on top of skills and ethical formation are lifelong matters.

4. The concept of formation in a profession also then helps to explain the significance of a **community** of members. For as Aristotle observed a long time ago humans are ‘gregarious’ beings, that is we flourish, or realise our potential through appropriate interactions with one another. And the process of formation, or development of (professional) character is a paradigm example of such gregarious or **communal** activity. Thus as members reach appropriate stages of development their *active engagement* within the body -- participating in giving *advice and guidance*, as well as receiving them, sharing good practice in *networking*, contributing to *thought leadership* – all contribute not only to their own continuing formation but to the formation of others within the profession.

The **communal** nature of this formation also underpins shared ownership of an ethical code, which involves finding ways for members to engage with that code so that it is genuinely shared and living (and thus ethics training needs to foster judgement, not just go in one ear and out the other, as one senior bank or building society interviewee observed). And it explains the value of communal articulation of something like a Hippocratic Oath. Obviously such activities need to be handled carefully to avoid becoming mere ritual, but if done well they can both articulate and embody **communal** formation.

5. From the perspective of individual formation, activities such as *raising concerns*, *discipline* and (in extremis) *whistleblowing* are all part of a communal commitment to member development in that they are necessary parts of upholding the ethical standards and pursuing the mission of the profession. Articulating a commitment to ethical values and standards, as well as practising skills, is part of formation in ethical values and skills, just as calling attention to failings in others can be part of their formation. This makes intelligible the requirement to raise concerns as part of some professional codes.

6. As already hinted, *thought leadership* by a professional body can also be both an opportunity for a body of communal reasoners to engage with their professional mission, and what it requires in terms of ethical behaviour or skills development in changing circumstances or for new challenges, and an embodiment of them as a community. This represents the profession as a living body.

One of the objections sometimes raised to professional bodies is that they can be rather conservative, stuck in their ways, stifling innovation and creativity, but on this conception it can be seen that, functioning as a community of reasoners, focused on a shared vision of the public interest, a professional can stimulate creativity and innovation. Thus, for example, the profession provides an opportunity for its members to work outside their workplace with fellow members in their own specialist area around risk professionalism, or accountancy, and this can be optimal for developing good practice.

So in fact part of a professional body's role, as a community of reasoners engaged in thought leadership, is that it can refresh entrenched practices, and thereby benefit the formation of individuals, the professional community as a whole, and firms.

Clearly *thought leadership* done well is one of a number of things which can help to raise the profile of the profession and articulate its value to the wider public. But this also depends on having a clear sense of the professional body's *mission* and *the wider social role* of the profession, identified earlier as key issues for appropriate member formation.

7. This conception of the professional body forming its members also sheds some light on the importance of *engagement with firms*. On the one hand, the formation of a professional obviously takes place to a large extent within the individual's workplace not simply through attaining qualifications and CPD, so an appropriate link between firms and professional bodies is important to ensure that the individual's formation is not fractured with the profession requiring one thing and firms another. (This also explains to some extent the notion of the profession as a further lens on the culture of the workplace.) On the other hand, individual professionals within firms are a physical link between a professional body and a firm, so active members of professional bodies will, in seeking to live their professional life, necessarily influence the culture of the workplace (and also take things from the culture of their own workplace into the life of their professional body).

### 5.3.1 Summary

This is only a sketch of the conception of a professional body as a community with shared interests, or a community of reasoners, whom the professional body forms.

But it is a picture which helps to explain how members of a profession can develop a shared language and foster good practice and a sense of common purpose in ways which help members to develop a sense of pride in what they do. Taken together these can in turn create a notion of professional identity, a sense in both the individual and the professional community that what the professional does is not just work, but a meaningful way of life.

This conception does seem to cohere with the bank or building society interviewee's vision of '*a professional body [or professional bodies, one might add] that was creating a much stronger dialogue collectively across the banks as opposed to financial services: What are we here for? How is it working? What are we struggling with? It creates a sense of belonging and unity that we're doing something useful that is worth talking about rather than being beaten by the regulator.*'

There does not seem to be any reason, in principle, why professional bodies in banking could not play such a role. Our research, set out in the results section, suggests that there may be quite a lot which needs to be done in order to achieve this, but also indicates that there is a significant body of opinion, both within firms and within professional bodies, which is keen to move in this direction.

The results of this research have raised many detailed points for reflection and it is not appropriate at this point to seek to summarise them all.



However, some key points can perhaps be mentioned, several of which reflect the five key issues set out in the central findings.

First, it is important to note that the field of professional bodies in banking is large and quite fragmentary, bringing with it a large number of professional qualifications. So professionalisation of the sector does not require a lot more qualifications. This can only add to the clutter. Simplification and/or co-ordination are desirable.

What is required is that professional bodies in banking have a clear vision of their mission, and of the social role of the banking and building society sector to which they contribute. Connected to that mission and role, it may be helpful to identify some high-level ethical principles for the banking and building society profession, which might be embedded in appropriate ways in distinct professional bodies and firms. Within that vision (and associated ethical principles) it may then be possible for the relevant professional bodies to develop a clear strategy for influencing the ethics and culture of the sector, as well as enhancing the skills of employees. Within that strategy it may be that the development of a set of gold-standard qualifications is an important goal.

But such a development needs to be achieved through working in an appropriate partnership with the industry, and such partnership activity may be aided by the work of a canopy body, as in the engineering sector. Such a body might a) help to confirm the status of a 'gold standard' qualification (or tier of 'gold standard' qualifications), b) ratify the professional bodies offering such qualifications c) help to encourage the industry to take up qualifications of appropriate quality, d) perform a robust audit role to ensure standards of qualifications and CPD are maintained and e) support other ways of productive engagement between professional bodies and the industry.

## 5.4 Tables of comparisons between professions

### 5.4.1 Table 3: Other professions – Key bodies and route to qualification

Profession	Regulatory bodies	Professional bodies and other significant bodies	Route to qualification
Medicine	General Medical Council (GMC).	The British Medical Association is more like a trade union or representative body than a professional body. The twenty Royal Colleges are responsible for setting standards and supervising training within specialisms, and are the closest thing to a typical professional body in medicine. The Academy of Medical Royal Colleges plays a thought leadership role within medical education.	Typically a five-year degree at medical school, then a two-year foundation programme, then a long period of acquiring specialist experience.
Law	Solicitors Regulation Authority (SRA) for solicitors in England and Wales;  Bar Standards Board (BSB) for Barristers	The Law Society of England and Wales is the professional body for solicitors in England and Wales. The General Council of the Bar is the professional body for Barristers. It is also the approved regulator, but discharges its regulatory function through the independent Bar Standards Board.	For solicitors, the typical route to qualification is either a law degree, or another degree plus a law conversion course, followed by a period of work-based learning through a training contract. The SRA accredits institutions to provide law degrees and conversion courses.

Profession	Regulatory bodies	Professional bodies and other significant bodies	Route to qualification
Accountancy	The Financial Reporting Council (FRC) is responsible for regulatory oversight of the accounting profession in the UK. The Financial Conduct Authority (FCA) is the conduct regulator of financial services firms. The ICAEW also regulates its members.	The Institute of Chartered Accountants in England and Wales (ICAEW) is the largest UK-based accountancy professional body (over 140,000 members worldwide). Other professional bodies are the Institute of Chartered Accountants in Scotland (ICAS), the Association of Chartered Certified Accountants (ACCA), the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Management Accountants (CIMA). The Consultative Committee of Accountancy Bodies (CCAB) is an umbrella organisation for the major accountancy bodies in the UK and Ireland.	The ICAEW website lists five separate routes to becoming a Chartered Accountant. Some of these involve a degree, whether in accountancy or some other subject, while others involve no degree. In all routes there is a significant period of on-the-job training.
Engineering	The Engineering Council (ECUK)	There are 36 different professional bodies for engineering in the UK. The ECUK sets overall standards for competence and ethics across the profession. The Royal Academy of Engineering (RAEng) is a thought leadership organisation.	It is possible to become an engineer at different levels, e.g. NVQ Level 3 (technician level), BEng, MEng (Chartered level). Engineers can then climb the ladder by taking further qualifications. Engineering degrees are typically accredited by professional bodies, and most top universities are accredited, but there is no requirement to take an accredited degree. The ECUK oversees requirements for entry to the profession at different levels through 'UK-SPEC'. This includes requirements in ethics and professionalism.

Profession	Regulatory bodies	Professional bodies and other significant bodies	Route to qualification
Actuarial science	The Institute and Faculty of Actuaries (IFoA) is the regulator, subject to independent oversight by the Financial Reporting Council (FRC).	The Institute and Faculty of Actuaries (IFoA)	A very good first degree in maths (and often higher maths), followed by professional examinations overseen by the IFoA and typically done while employed as a student actuary. Qualification to fellowship level typically takes seven years and can take much longer. The IFoA has recently introduced an alternative 'technician style' qualification of Certified Actuarial Analyst (similar to the parallel qualification in the legal field).
Intellectual property law	The Intellectual Property Regulation Board (IPReg)	The Chartered Institute of Patent Attorneys (CIPA) and the Institute of Trademark Attorneys (ITMA)	Patent Attorneys (whose work requires knowledge of a technical specialism as well as legal expertise) take a STEM (Science, Technology, Engineering or Maths) degree whereas Trademark Attorneys can take any first degree. Both kinds of Intellectual Property Attorney will then take a further qualification, typically while in work, from an accredited institution, in order to qualify to practice as an Intellectual Property Attorney.

5.4.2 Table 4: Other professions – Continuing professional development and overseeing ethical standards

Profession	Continuing professional development	Overseeing ethical standards
Medicine	Following the introduction of the GMC's new revalidation system, doctors have to demonstrate that they are up-to-date to a responsible officer – often the medical director – in their organisation. The organisation then has to make recommendation to the GMC about whether the doctor should have their license renewed	Individual medical professionals are required to register with the GMC in order to practise. The GMC oversees a code of ethics ('good medical practice'), handles complaints from the public or other professionals, investigates cases and then makes judgments through the Medical Practitioners Tribunal Service. A range of sanctions can be applied up to and including removing professionals from the register, which removes their license to practice. The GMC's code includes a duty to report on others.
Law	There used to be compulsory enforcement of mandatory CPD hours by the regulator, but the profession is now moving more towards a model where Lawyers are expected to keep their knowledge and skills up to date and to demonstrate that they have done this, but there is no mandatory minimum number of hours.	All solicitors are bound by the SRA Handbook which includes a set of principles and a code of conduct. The SRA handles complaints and investigates cases. Cases are heard by the Solicitors Disciplinary Tribunal. The SRA regulates legal practices as well as individual lawyers, and can remove a license to practice from either. The SRA code includes a duty to report on others.
Accountancy	The ICAEW does not set minimum CPD requirements in hours. However, it asks that members reflect on their learning development needs, identify and carry out appropriate CPD, and then reflect on the impact of that CPD after the fact. They must also keep a record of this process. Every year, a random sample of records is assessed.	The ICAEW has a code of ethics. It handles complaints, investigates cases and carries out public hearings through the Disciplinary and Appeal Committees. The Committee has a range of sanctions available to it, including reprimands and fines. The Committee can remove a member's practising certificate which bars them from performing certain roles, e.g. auditor. It can also exclude a member and ban them from applying for readmission for a fixed period.

Profession	Continuing professional development	Overseeing ethical standards
Engineering	The ECUK has just introduced a requirement for CPD (20 hours) which will come in from 2017, and will be overseen by professional bodies. Professional bodies will be required to monitor and enforce CPD completion. Previously it was encouraged but not compulsory, and different professional bodies had different approaches.	The ECUK and RAEng have jointly published a high level Statement of Ethical Principles. Engineers are bound to abide by this and the individual codes of their institution (e.g. the IET's Rules of Professional Conduct). The IET investigates complaints and has a disciplinary committee, which has the power to take away membership and professional registration. This is not a license to practise but its removal does prevent engineers from using the term Chartered Engineer, and in practice the effect on the engineer's career is serious.
Actuarial science	The IFoA issues practising certificates for reserved roles. CPD is mandatory for all members but those who need a practising certificate have the most stringent requirements (30 hours, of which 20 hours must be obtained at 'external events'). Employing organisations generally have a named CPD coordinator. Members also have a requirement to undertake ethics CPD on an annual basis.	The IFoA regulates members through the Actuaries Code, Technical Actuarial Standards, and Actuarial Profession Standards. It also produces a large range of non-mandatory ethical guidance for its members. It handles complaints, investigates cases and carries out disciplinary hearings. Members can be reprimanded, fined, suspended or excluded. Loss of a practising certificate prevents actuaries from occupying reserved roles, and exclusion from the professional body has severe consequences for one's career.
Intellectual property law	CPD is a regulatory requirement, set by IPReg. All registered patent and trade mark attorneys in active practice are required to achieve a minimum of 16 hours CPD in order to remain registered and to self-certify that they have met this requirement when renewing their registration. Compliance may be monitored by requiring detailed support (such as individual CPD records) from a random sample of registrants each year.	IPReg has a code of conduct, handles complaints, investigates cases and carries out disciplinary hearings. Sanctions include public warning, suspension from practice, exclusion from practice, requirement to undertake training, fines.

5.4.3 Table 5: Other professions – Advice, guidance and thought leadership

Profession	Advice and guidance	Thought leadership
Medicine	The GMC offers advice on ethics and standards by telephone or email. It also offers extensive guidance on ethical issues through its website, e.g. confidentiality, patients' best interests, consent. The BMA also issues guidance including an 'ethical toolkit'.	As a representative body, the BMA acts as a forum for discussion and seeks to speak on behalf of the profession.
Law	The Law Society has a practice advice service. The division of responsibility between bodies is that the SRA 'tells people what the rules are', and has a helpline through which it provides advice on interpretation of the rules, whereas the Law Society gives advice over and above rules, i.e. guidance and support around professional ethics. In the jargon, the SRA gives 'practice notes', whereas the Law Society gives 'guidance notes'. The Law Society provides support and advice on interpretation, management, and best practice in relation to ethical values, professional principles and standards. It also has a suite of interactive ethics training available through its website.	The Law Society carries out public engagement around specific issues which are of interest to the public.
Accountancy	The ICAEW provides interactive online resources based around ethical dilemmas, and guidance on key concepts including integrity and the public interest.	The ICAEW carries out extensive thought leadership activities in a number of areas. It aims to 'shape government thinking on regulatory policy and look ahead at long-term issues for the profession'.
Engineering	The IET use an online community for electricians to access advice. They do not have a helpline, but they provide online resources including resources on professional ethics.	The IET has a thought leadership role, for example publishing reports on issues of interest to its members. The ECUK and RAEng have the challenging role of trying to bring together 36 professional bodies and to create a coherent voice on behalf of the profession. The ECUK has a board for this purpose on which all 36 bodies are represented.

Profession	Advice and guidance	Thought leadership
Actuarial science	The IFoA provide advice and guidance in a number of areas by email and phone. For example, the Professional Support Service can advise on 'interpreting professional or technical guidance'. They also use volunteers to advise on interpretation of regulation. It also produces a range of video/online e-learning materials in ethics available for free to members.	The IFoA sees public engagement as a key part of its role, raising the profile of what is a relatively poorly understood profession. It also carries out research to inform best practice in actuarial science.
Intellectual property law	IPReg gives guidance on issues but does not provide advice. It is not clear whether the professional bodies provide an advice service for members.	The professional bodies carry out a number of thought leadership activities, speaking on behalf of the profession to the regulator and government and seeking to promote the profession.



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# Appendix A: Methodology

## A.1 General approach

The research comprised three stages:

- An initial **desk research** stage, to find out what relevant material already exists and to set out a background against our research would take place;
- An **online survey** stage, to identify broad trends and to begin to answer the research questions;
- A set of **interviews** to investigate the research questions in greater detail and to support and explain the broad trends discovered through the surveys.

The research questions, which guided the development and analysis of all three stages, were as follows:

1. How do banks and building societies view the current role of professions (of all sorts) in the sector in addressing issues of ethics and culture?<sup>22</sup>
  - 1a. In particular do firms see added value in a professional body that sees its role as going beyond the provision of qualifications?
2. How effective are professions, to the extent they are represented, in contributing positively to the ethics and culture of banks and building societies?
  - 2a. To what extent are existing banking professional bodies adapting (their 'business model') to meet the demand (as identified in question 2), and the impact of regulatory changes in the sector?
3. In what different ways (both within banking and more generally) are existing professions organised so as to address ethics and culture (the 'business model' of the professions)? For example;
  - a. Do they regulate their members, or simply advise/provide services to them?
  - b. What focus do they have on the role of ethics in professional life – do they just have a code or do they provide support and training – designed to transform such a code from a mere piece of paper into a living document?
  - c. How effective is their training in professionalism as a whole? Do they require members to do continuing professional development? What is the emphasis on ethics and integrity within any CPD, required or otherwise, as compared with updating technical skills, for example?
  - d. How effective are the professional bodies in developing members' ethics and thus contributing to the ethics and culture of organisations?

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<sup>22</sup> References are made in this document to 'ethics and culture' because it is assumed here that there is an intimate connection between ethical behaviour and the culture of an organisation. The ethical (or unethical) behaviour of an organisation contributes to the development of the firm's culture and the firm's culture impacts on their behaviour (their ability to behave ethically). Plato and Aristotle both provide insight into this connection.

To help with sampling, working with the BSB, we identified an initial list of professional bodies whose membership is significantly represented in the banking sector: the 'banking-related professional bodies' as defined in section 2.5 above. This list of organisations was informed by discussions with the BSB, their discussions with relevant organisations and by attention to those bodies included in the following report: Patel, K. (2014). *Setting standards: Professional bodies and the financial services sector*. London: Centre for the Study of Financial Innovation. This resulted in an initial list of 19 professional bodies.

On conducting the research set out in this report two further organisations, who provide a substantial number of professional qualifications to the banking sector, were identified as being relevant to consider as part of this list of professional bodies. These were the Retail Banking Academy and *ifs* University College. Representatives from both of these organisations were interviewed as part of this research (initially as another financial services stakeholder) and their views have been used to inform the findings. The initial list of 19 professional bodies also included five accountancy bodies and one professional body in law. On further reflection it was decided to include law and accountancy as two of the comparator professions. This results in a different total number of banking-related professional bodies depending on how the data is viewed. As the research interviews were conducted when we had this initial list of 19, there are quotes that reference the number of 'professional bodies in banking' as 19. For the purposes of tables 1 to 5 included in this report, the organisations listed below were placed in the following categories:

#### Banking-related professional bodies:

- Association of Corporate Treasurers (ACT)
- Chartered Banker Institute (Chartered Institute of Bankers in Scotland)
- Chartered Financial Analyst Society of the UK / CFA Institute
- Chartered Institute of Credit Management (ICM)
- Chartered Insurance Institute (CII) [including the affiliated Personal Finance Society (PFS)]
- Chartered Institute of Internal Auditors (Chartered IIA)
- Chartered Institute for Securities & Investment (CISI)
- Chartered Institute of Taxation (CIOT)
- Global Association of Risk Professionals (GARP)
- *ifs* University College
- International Compliance Association (ICA)
- Institute of Professional Financial Managers (IPFM)
- Institute of Risk Management (IRM)
- Investor Relations Society (IR Society)
- Retail Banking Academy (RBA)

#### Comparator professional bodies (and related organisations):

- Association of Chartered Certified Accountants (ACCA)
- Association of International Accountants (AIA)
- Chartered Institute of Management Accountants (CIMA)
- General Medical Council (GMA)
- Institute of Chartered Accountants in England and Wales (ICAEW)

- Institute of Chartered Accountants of Scotland (ICAS)
- Institution of Engineering and Technology (IET)
- Institute and Faculty of Actuaries (IFoA)
- Intellectual Property Regulation Board (IPReg)
- Royal Academy of Engineering (RAEng)
- The Law Society of England and Wales

## A.2 Desk research

We reviewed a wide range of documents. In this section we describe how we set about identifying research materials and reviewing them.

### A.2.1 Materials supplied by the Banking Standards Board

The following materials were identified as important documents by the Banking Standards Board and were reviewed:

*Changing Banking for Good: Report of the Parliamentary Commission on Banking Standards* (particularly Chapters 2, 6 and 7).

Lambert, Richard: *Banking Standards Review* (2014)

Financial Conduct Authority sourcebook: *Professional Firms* (2015)

Financial Conduct Authority sourcebook: *Training and Competence* (2015)

Financial Conduct Authority unit syllabus: *Financial Services, Regulation and Ethics* (2015)

Fair and Effective Markets Review: *Final Report* (2015)

We also reviewed a sample of the responses from both the industry and other interested bodies and individuals as part of the consultation on the Lambert report. In order to get a broadly representative sample while keeping the research at a manageable scale, we reviewed the following:

At least one submission from each category of bank or building society that was consulted<sup>23</sup> and proportionally more when either there were a high number of organisations in the category or the organisations were very large employers.

All of the submissions from professional bodies or other similar organisations, since the focus of the research is on professionalism and professionalisation.

Submissions from a few other key stakeholders whose perspective we thought would be particularly important, e.g. regulators.

The complete sample is as follows:

- Association of British Insurers
- Association of Corporate Treasurers
- Association of Foreign Banks
- British Bankers Association
- Building Society Association

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<sup>23</sup> The categories were: branch, building society, challenger bank, investment bank, large UK bank, private bank, small UK bank, universal bank.

- CFA Institute
- Chartered Banker Institute
- Chartered Banker Professional Standards Board
- Chartered Institute for Securities and Investment
- Chartered Institute of Internal Auditors
- Chartered Institute of Management Accountants
- Chartered Insurance Institute
- FCA Practitioner Panel
- FRC
- ICAEW
- Institute of Business Ethics
- Institute and faculty of actuaries
- Institute of Customer Service
- International Academy of Retail Banking
- James Dempsey

We used a rudimentary analysis framework in order to make sense of these submissions and to draw general conclusions. In each case we were looking for evidence of:

- The author's assessment of the state of professionalism in the banking sector currently; and
- Their assessment of the appetite or scope for greater professionalisation of the sector.

We also had access to the responses to the Parliamentary Commission report, to which we referred only when they were quoted in the main report in a way which suggested the whole contribution would be of particular interest. The rationale for not sampling these in a systematic way as with responses to the Lambert report was that a) the limited time available to us to carry out the research meant we would be unable to read a substantial sample of responses to both reports, and b) the Lambert report builds on the recommendations of the PCBS report and is more closely focused on the areas of interest to our research, so it was thought that responses to Lambert were more likely to be of interest in the context of the research.

### A.2.2 Published materials from professional bodies

While there was not time to carry out a thorough review of relevant materials published by all of the bodies in our initial list, we were able to establish an overview of their positions by surveying a range of their websites and published materials, and thereby to gain an overall impression of the state of play regarding interventions and structures aimed at driving up the level of professionalism, including ethical behaviour, in the banking or other relevant sectors.

### A.2.3 Documents from searches

Finally, we carried out a number of searches using academic databases<sup>24</sup> to identify a range of materials from other sources. We used a basic information retrieval methodology to search the databases: 1. Create a query based on a theme of interest to the research, e.g. 'ethics'. 2. Create further queries using terms closely related to the same theme, e.g. 'morality', 'good behaviour'. 3. Combine these queries into a single query using the 'OR' operator. 4. Repeat steps 1-3 for other themes of interest. The themes we used were 'ethics', 'culture', 'professionalism' and 'banking'. 5.

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<sup>24</sup> ABI Complete, Business Source Premier, Philosopher's Index.

Combine the composite queries using the 'AND' operator to find resources relating to relationships between themes. We were particularly interested in resources that referred to both 'banking' and any of our other three themes. 6. Read through the abstracts of resources thus discovered and remove those that appear unrelated to the research.

Finally, we conducted a number of searches using Google and Google Scholar using similar search terms.

The materials thus discovered included:

- News articles
- Articles in trade journals
- Academic papers
- Industry reports

These sources provided useful background to the demand for increased professionalisation of the banking sector. We were also looking for any evidence of the effect of professionalisation on ethics and culture. As with the responses to the Lambert report, we used a rudimentary analysis framework to make sense of these documents.

### A.3 Online survey

We created two separate surveys: one aimed at professional bodies and another at banks and building societies. Both surveys were set up and administered using an online hosting service, LimeService. Analysis was carried out using Microsoft Excel as the relative simplicity of the analysis did not warrant more complex or powerful software.

The numbers of responses received were as follows:

Banks and building societies survey: 11 complete and 9 incomplete.

Professional bodies survey: 12 complete and 7 incomplete.

The incomplete responses were removed prior to analysis.

The overall sample size in both surveys was therefore quite small. Because of this the results should be read as indicative only. This was always the intention with this element of the research and there are some mitigating factors, namely:

1. The individuals surveyed were chosen due to their being in a position where they are likely to be highly well-informed about the issues explored in the survey, and therefore their responses can be given considerably more weight than if the survey had simply gone to randomly chosen individuals within the target organisations.
2. In most if not all areas there is data from the interviews covering similar areas. We will therefore be able to compare the survey results to see whether they are in line with the interview results.

In the original surveys, we asked participants about four separate service types in banking: retail or consumer, corporate or commercial, investment and private. However, due to the very small sample in each sub-category of banking service type, we decided not to carry out disaggregate analysis to present findings by service type. The findings in this document are therefore based on amalgamated data for the total sample.

## A.4 Interviews

We conducted 53 interviews in total, split into four categories: banks and building societies, banking-related professional bodies (i.e. professional bodies with a significant proportion of their membership working in the banking sector), non-banking-related professional bodies and other financial services stakeholders (e.g. regulatory bodies, trade associations, education providers).

Due to the regional diversity of interviewees, the interviews were conducted face to face or by phone over a period of one month (February to March 2016). The interviews were semi-structured and consisted of a fixed number of questions which were answered by interviewees in all the interviews, with a number of prompts to elicit further detail around each main question. A different script was developed for each category of interview. Some questions were common to different categories in order to allow for comparisons between groups.

In the **banks and building societies** category, we conducted 22 interviews with representatives of 15 firms (sector total is 184 firms). Four of the firms interviewed were building societies (out of 44 building societies) and eleven were banks (out of 140 banks), so a fairly proportionate distribution. In one larger firm the conduct of multiple interviews allowed a broader perspective on the organisation. Most interviews were with one senior member of the firm. In three cases two firm members were interviewed together (at the request of the firms). All interviews were conducted by the same interviewer.

The profile of the firms interviewed covered the range of the sector well: from small regional firms to larger global firms; from firms covering multiple banking/building society activities to firms specialising in niche banking roles; from retail banking to wholesale/investment banking; from firms with tens/hundreds of employees to firms with multiple thousands of employees; from firms with thousands of customers to firms with millions of customers; and from firms with millions of pounds of assets to firms with billions of pounds of assets.

In the **banking-related professional bodies** category, we conducted 16 interviews with representatives of 13 bodies (sector total is 19 bodies – so very good coverage of the sector). Two bodies submitted more than one interviewee in order to ensure that key areas of expertise and knowledge were represented.

In the **non-banking-related professional bodies** category, we conducted six interviews with five different bodies. In this category the aim was to provide case studies for comparison with the banking sector rather than to gain a representative perspective, so coverage of the professional body sector overall is not relevant. Bodies were chosen for key similarities or interesting points of comparison with the banking sector, either in the type of work involved, or in regulatory structure etc.

In the **other financial services stakeholders** category, we conducted nine interviews with five organisations.

The interviews (in all categories) were recorded on two recorders (to allow for any technical failure), then downloaded to a secure drive and transcribed into anonymised files (though the interview content obviously contains identifying information if taken as a whole). Each interview was then coded by two coders, using pre-prepared coding-nodes (and NVivo software), although the coding process allowed coders to add additional nodes as themes emerged from the content. After coding was completed there was a 'sense-making session' attended by all three of the coders for all the sets of interviews. Finally the results were written up with further reference to the nodes.







## CONTACT

Banking Standards Board

3rd Floor, 75 King William Street, London EC4N 7BE

[www.bankingstandardsboard.org.uk](http://www.bankingstandardsboard.org.uk)

Telephone: +44 20 3440 9765

Email: [info@bankingstandardsboard.org.uk](mailto:info@bankingstandardsboard.org.uk)

@BSB\_UK