



**KEYNOTE SPEECH BY DAME COLETTE BOWE  
CHAIRMAN OF THE BANKING STANDARDS BOARD,  
TO THE LONDON IOSCO CONFERENCE, 18<sup>th</sup> JUNE 2015**

Good morning.

Welcome to this second day of the London conference of IOSCO, on behalf of the Banking Standards Board of the United Kingdom.

As you know, the theme of this morning's first session is "Changing Culture and Raising Conduct Standards".

My address this morning is going to touch first of all on why these are such important issues for us; and second, will describe some recent UK initiatives intended to raise conduct standards and support the effective workings of markets.

Initiatives which we believe may have wide applicability outside the UK.

I would like to begin our discussion by noting two important things said last week.

The first was by Governor Mark Carney, who, in analysing the root causes of misconduct in financial markets referred to "ethical drift", caused in part, he noted, by failures in personal accountability.

And the second was remarks made by our colleague Martin Wheatley, here on the panel with us later this morning, who noted that escalating regulatory fines, by themselves, are not having the desired effect – and went on to say that "we need something more – we should try to get ahead of the cultural change".

So, here we have both our central bank governor and a senior regulator invoking the concepts of "ethics" and "cultural change".

Does this mean that, 8 years on from the start of the banking crisis, things have moved on from stark prudential interventions to the point where we can, safely, discuss what are seemingly less hard edged issues?

Or does it, as I will argue, mean that we have reached a point where we can understand the importance of raising issues such as ethical conduct, personal accountability and the culture of organisations, precisely BECAUSE we have understood the centrality of these issues for remaking our financial services industry, and specifically making it capable and worthy of winning back public trust?

Rebuilding trust worthiness is critical for the whole financial services industry. Not just in the UK but worldwide.

And, focussing specifically on banking, which is the concern of our Board, I would argue that the purpose of good, well conducted banking is to succeed by serving the society in which it is, or should be rooted. And this requires it to be able to earn the trust of that society.

So. How can we build institutions that help everyone working in this industry to understand what are the requirements are of doing their business well; to understand what it means to accept personal responsibility. And to shape the specific, distinctive culture of their own business?

Let me tell you about two important developments that are under way here in the UK, which are intended to BE precisely such institutions.

I will talk primarily about the Banking Standards Board but would also like to touch on the very recently announced FICC Market Standards Board.

The Banking Standards Board of the UK was set up at the end of last year by the 6 largest banks and largest building society in the UK.

Its purpose is to promote high standards of conduct and competence across the banking sector.

Its work relates, at the moment, only to banks and building societies, not to all financial institutions.

Its board is a mix of non practitioners, each of whom has something very distinctive to contribute, and senior City practitioners.

It will work by

- Developing and setting standards for conduct in specific areas of banking practice. These will complement the work of the regulators but are intended to go beyond regulatory minima in order to provide guidance on high standards of conduct.
- Assessing the ongoing work that most banks and other lenders are doing to develop and strengthen their own cultures and ethos. These assessments will be analytical rather than merely narrative, and will contribute to an industry wide report which we will publish each year, to track the industry's progress in making positive changes.
- Engaging with the banking professional bodies on the one hand, and banks themselves on the other, to raise the competence and professionalism of individuals working in the industry.

And as part of our work we will be looking at what we can learn about engineering serious change in conduct and culture from other sectors that have had to meet big challenges after losing public trust.

Now, this body is paid for the banks themselves. Which is entirely appropriate. No one else should have to pay for this. Most certainly not the taxpayer.

And to those who would view this relationship with some scepticism, I would say:

*judge us by what we do, and also by what we don't do.*

We will speak out, in public and on the basis of evidence, on the progress that the banks are making, or not making, towards strengthening their own cultures and hence affecting the conduct that flows from that.

We will not advocate or lobby on behalf of banks.

Although we are a non-statutory body, we are working closely with the UK regulators.

The architecture of the system we are working in is that, as in other jurisdictions, the regulators prescribe legally enforceable rules conditioning conduct, and, importantly, from next year, will introduce requirements to strengthen the personal accountability of senior individuals involved in banking.

Within this framework, as elsewhere, it is for the boards of banks to take responsibility for how the business delivers within this regulatory framework.

And it is, more subtly, the responsibility of the board to influence the culture of the whole business – the famous “tone from the top” - AND to take responsibility for making sure that this is both understood and acted on in all parts of the business, from the committed top, through the middle and right across the front line.

Moving from “tone at the top” through “action in the middle”.

By the middle, I mean those hard to reach parts, which are found in any business, not just banking, where messages get lost, communication falters, and “tone from the top” can seem utterly remote from what people are actually doing.

This is where the Banking Standards Board comes in.

Our objective is to work with the banks and other lenders to support their work on achieving cultural change.

To help them by providing what will be a challenging and realistic assessment of their efforts.

And to help produce workable, high standards that go beyond the bare minimum.

Right across the whole field of banking.

We are covering retail, commercial and investment banking – all of which are represented on our Board and each of which is important to the project.

Trust in banking cannot be restored one segment at a time. The whole industry has got to raise its game.

So we are a part of a three tier system, which has at its core the prescriptions and requirements of the regulators; which recognises the primacy of boards, and also the heavy requirements of personal responsibility and accountability that come with board membership and senior management responsibilities; and where we aim to fill a role which with strong practitioner input, helps to move us towards a situation where workable, high standards are developed and acted on by the industry itself.

And we are not the only UK body working in this space.

You will all I am sure have seen the announcements last week here in the UK of an overhaul of the regulation of the FICC markets.

A key part of last week's announcements was the announcement of plans for a new FICC Market Standards Board – a complementary body with a similar approach to engaging strong practitioner involvement in the work of developing and strengthening standards, albeit in a different part of the financial market place. It is a timely step along the same road that the Banking Standards Board is travelling.

We welcome very strongly these plans, and hope to be able to provide practical support to the new Board as it develops its work.

Elizabeth Corley, here on the panel later this morning, will have more to say about this important development later.

What both these developments reflect is the sober acknowledgement that regulation, on its own, can only take us so far.

Regulation sets a framework. It provides if you like an infrastructure. It is legally enforceable. But, as I think Martin Wheatley was implying in his remarks last week, there comes a point where something else has to kick in as well.

And that “something else” has to be able to recognise the failings that have led us to where we are; to recognise the centrality for our society of fixing these problems; and also to recognise the need for practitioners to roll their sleeves up and get involved.

Our response to this challenge is to develop an institution, the Banking Standards Board, which can help to link the requirements of regulators with the development at the level of the individual firm of the good practices that support a firm's culture.

And linking together work by firms in similar parts of the industry, recognising that these banks have responsibilities to the reputation of the sector and the integrity of the market overall.

This is for us very early days.

But I am very heartened by the widespread support for this new development, not only from across the banking industry, but from many areas of our wider society, reflected in the wide skills and experience of the non practitioners on our board.

I hope that the work we are doing may be of interest and relevance in other jurisdictions. The US regulators have already expressed strong interest in our work, and I would like to take this opportunity to say to all colleagues here this morning that we would welcome interest and input from colleagues in other countries. We would very much like to learn from your experience, and share ours with you.

Our theme for this next panel session is about changing culture and raising standards.

The Banking Standards Board of the UK is committed to working with the industry and our wider society to meet this challenge.

It is determined to be a catalyst for change.

I hope that we can also work with colleagues from around the world who are here today.

This is the biggest challenge we have faced.

I am confident that we can work together to meet it.

ENDS