



FINANCIAL
SERVICES
INSTITUTE
of Australasia

7 February 2018

By email
globalstandards@charteredbanker.com

Dear Education Standards Committee,

Re: Ethics Education and Training for Professional Bankers

Thank you for the opportunity to comment on the GBESTB draft standard Ethics Education and Training for Professional Bankers — building global consensus on standards of ethics for professional bankers is an undertaking that the GBESTB should be commended for, and FINSIA congratulates the board on the work to date to bring a global standard to fruition.

FINSIA has reviewed the draft standard, and in doing so has sought feedback from its member-based advisory councils. These councils are established to inform the association's response to policy issues in the financial services industry.

Overall, FINSIA has found solid support for defining global standards. Australia's banking industry is currently the subject of a royal commission that is tasked with inquiring into conduct, practices, behaviour and business activities that fall below community standards. The commission, among other matters, has been asked to assess the adequacy of industry self-regulation, including codes of conduct.

Industry self-regulation in the Australian market has been criticised for its ineffectiveness in deterring and responding to poor, dishonest and unethical conduct that has eroded consumer trust and confidence in the industry. In FINSIA's view, self-regulation to date has been inadequate because its primary focus is on financial institutions rather than the individuals who make up the industry.

FINSIA seeks to address this issue through its professionalisation initiative, which emphasises the need for industry-led standards setting underpinned by globally-recognised professional qualifications.

The feedback below addresses each of the questions in the consultation paper in turn.

Question one

FINSIA agrees that member bodies should use best endeavours to comply with the standards, recognising that there may be instances where local regulation impedes full compliance.

Question two

Overall, the ethical principles are helpful, but some moderations should be considered:

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Principle 1

FINSIA queries whether mere avoidance is sufficient to uphold the principle of integrity. Should this be replaced with a stronger or more active word?

Principle 3

'Duty of care' should be omitted given its legal meaning. It's a standard that may conflict with local regulations.

'Proper advice' — this phrase was considered unclear by members who provided feedback and should be replaced with 'appropriate' or 'suitable' advice having regard to the client or customer's circumstances.

The second bullet references personal advantage but should also reference 'firm advantage'.

Principle 5

Item 2 in the listed principles should be rephrased to promote an active obligation — either by 'actively maintaining trust in the banking industry' or 'taking action as required to maintain trust in the banking industry'.

In item 3 in the listed principles the word 'observing' should be replaced with 'supporting'.

Principle 7

'Bribery and corruption' should be replaced with something broader, eg. 'fraud'. Similarly, 'insider securities trading' should be replaced with 'illegal trading' or another broader description.

Question three

Regarding the content of ethics education and training programmes:

- > FINSIA queries the standard or level of complexity that should be met by member bodies in delivering programme topics, noting that bankers at different stages of their careers will encounter issues of varying degrees of complexity.
- > Item 'History and development of ethical thought, with particular reference to the development of professional ethics' should be rephrased to emphasise the application of ethical principles in the contemporary workplace.
- > Topics such as 'Escalation', 'Speak up' and 'Whistle blowing' should be considered for inclusion in the standard. Further consultation should be made on whether these topics are considered key or additional.
- > Assessment of ethics education and training programmes — FINSIA queries how the GBESTB intends to monitor member bodies, and whether supplementary guidance should be given on the procedures for this.

Question four

FINSIA supports publication of this standard in languages other than English, and that the GBESStB should have some control over translations (eg. by authorisation).

FINSIA looks forward to providing additional input into the standard as it is finalised, and to raising awareness of the standard when it comes into operation.

Please refer any enquiries about this submission to Caroline Falshaw A Fin, Head of Industry Affairs and Policy: c.falshaw@finsia.com

With kind regards,

A handwritten signature in black ink, appearing to read "Chris Whitehead". The signature is fluid and cursive, with the first name "Chris" and the last name "Whitehead" clearly distinguishable.

Chris Whitehead F Fin

CEO and Managing Director