

**BANKING STANDARDS BOARD  
CONSULTATION PAPER**

**Certification Regime:  
Fitness and Propriety**

**JUNE 2016**

## Introduction

### Who should be reading this?

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This consultation should be read by those who are responsible for implementing or have an interest in the Certification Regime<sup>1</sup>.

### How to respond to the consultation

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The Banking Standards Board (BSB) invites responses to the proposed voluntary guidelines developed on Fitness and Propriety (F&P) in relation to the Certification Regime. Specific questions are posed on page 5, though respondents are welcome to comment on any aspect of the guidelines they find of interest.

Please send your responses to [certification@bankingstandardsboard.org.uk](mailto:certification@bankingstandardsboard.org.uk) by close of **Wednesday 7 September 2016**.

If you would like further information, or would like to discuss the proposals with a member of the BSB Policy team, please contact us on the email address above.

### How your responses will be used

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All responses will be reviewed and considered by the BSB and shared with the BSB's Certification Regime Working Group to inform further development of the voluntary guidelines. Should you wish your response to be anonymised prior to circulation please highlight this in your response.

### About the BSB

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The BSB has been established to promote high standards of behaviour and competence across UK banks and building societies.

The BSB began its work in April 2015. It is a private sector body funded by membership subscriptions and open to all banks and building societies operating in the UK. The BSB is neither a regulator nor a trade association. It has no statutory powers, and it does not speak or lobby for the industry; rather it provides challenge, support and scrutiny for firms

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<sup>1</sup> The Individual Accountabilities Regime (of which the Certification Regime is part) was introduced following changes set out in the Banking Reform Act 2013 to replace the approved persons regime, based on the Parliamentary Commission on Banking Standards' (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>.

committed to rebuilding the sector's reputation, and will set out impartial and objective assessments of the industry's progress.

## Summary

The new Certification Regime commenced on 7 March 2016 with a requirement to certify all relevant staff by 7 March 2017. It requires key staff who are managing significant prudential or conduct risks to act in accordance with the new Conduct Rules and for a firm's senior managers to attest annually to the Fitness and Propriety (F&P) of these employees.

The intention of the regime is not only to strengthen the accountability of those operating within the banking sector, but also to raise standards across the industry. As such, it provides a valuable opportunity for firms to recognise and endorse staff who demonstrate the expected high levels of professionalism.

To help member firms implement the Certification Regime as effectively and consistently as possible, the BSB established a members' Working Group in January 2016 to consider whether there were aspects of the regime where voluntary, good practice, guidelines could be useful.

This Consultation Paper, together with three supporting documents, sets out the results of the Working Group's deliberations to date. It proposes guidelines that firms may find helpful in implementing and conducting their F&P assessments, including the types of information that firms may wish to take into account as part of these assessments, and how the outcomes of Certification decisions could be recorded. These guidelines are not intended to be binding on BSB member firms; different firms are at various stages and may decide to take different approaches in implementing the new regime. We hope, however, that BSB members will find these guidelines – developed by member banks and building societies from across the sector – relevant and practical, and that they will use or make reference to them in developing their processes, policies and procedures for Certification.

The proposed voluntary guidelines are set out in three accompanying documents:

- (1) Fitness and Propriety definitions and sources of information** – covering each element of the F&P assessment (defined in regulation as encompassing honesty, integrity, reputation, competence, capability and financial soundness) and the sources of information that could be used to conduct this assessment (giving consideration to both the sources that exist currently, and those that potentially could be used in the future);
- (2) Fitness and Propriety assessment principles** – framed so as to be sufficiently high level for firms to adopt into their own processes, but sufficiently challenging as to foster high standards; and a

**(3) Fitness and Propriety assessment record template** – a proposed way of capturing the sources of information used and the frequency with which they are used (e.g. every six months, every three years) in conducting an F&P assessment, so as to provide: (a) a consistent way of capturing the basis on which judgements were made in any individual assessment for internal use; and / or (b) a way of sharing between firms, when appropriate, the approach taken in conducting an F&P assessment (i.e. the sources of information that firm uses and their frequency of use in relation to any particular role).

## Consultation questions

The BSB would welcome comments on the proposed voluntary guidelines and in particular on the questions set out below. The questions have been split into three sections to reflect the three supporting documents addressing:

- (1) Fitness and Propriety definitions and sources of information;
- (2) Fitness and Propriety assessment principles; and a
- (3) Fitness and Propriety assessment record template.

### **(1) Fitness and Propriety definitions and sources of information**

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1. What are your thoughts on the proposed F&P definitions and / or current and potential sources of information? Is anything missing, under- or over-stated, or not relevant?
2. How do the proposed F&P definitions and sources of information reflect your current interpretation of the terms and the sources of information you use to conduct F&P assessments? Are there any aspects which may be new to your firm?
3. Are there any areas where further development or guidance would be merited?

### **(2) Fitness and Propriety assessment principles**

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4. Do the principles address the right issues? Would further development of, or guidance on, any of these principles be helpful?
5. Are there any areas which are not currently covered by the principles that you feel warrant further exploration?
6. How do the principles reflect your current approach to F&P assessments? Are there any aspects which would be new to your firm? If so, what would be the most challenging areas?

### **(3) Fitness and Propriety assessment record template**

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7. Does the template address the right issues to serve a useful purpose both as guidance and as a record?
8. Are there any areas where further development or guidance would be merited?
9. Would you find such a template useful in your own firm? If so, is there anything else that you would find helpful in adopting such an approach? If not, what would prevent you using it, or why would you chose not to use it?

Please send your response – and comments on any other aspects of this work – to [certification@bankingstandardsboard.org.uk](mailto:certification@bankingstandardsboard.org.uk) by **close on 7 September 2016**.

