

# **A New Approach to Financial Regulation: Embedding Professionalism**

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## The Chartered Insurance Institute

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## Foreword

The tide of regulatory change is gathering momentum. By 2012 two new regulatory bodies will have emerged to take the place of the FSA – with the Bank of England firmly at the helm. During the transitional phase the Government and the FSA are also looking at how firms and individuals are supervised – in terms of the rules firms must meet and the techniques supervisors use. The regulatory review therefore offers the opportunity for a rethink of how regulation is conducted.

Building on a speech from FSA Chief Executive, Hector Sants, this paper argues that in future, supervisors must give more weight to the importance of cultures and behaviours when assessing the risks posed by firms to consumers. The experience of recent times shows that poor culture and behaviours in financial services can lead to public harm.

However, the term ‘culture’ is often seen to be elusive – and essential to ensuring that it gains more recognition from regulators is the development of measurable indicators of what good culture can look like. We argue that a firm’s commitment to professionalism can act as a proxy for good culture. It follows that those firms that adhere to high professional standards and meet the other, more traditional regulatory requirements, are likely to pose less risk to the public than those that do not. As a result, the paper proposes that these firms and individuals should be beneficiaries of risk-based regulation. There are a number of important public interest benefits to be gained by reducing the relative intensity of regulation for firms that demonstrate high standards of professionalism:

- It would enable the regulator to channel more resources towards regulating firms that pose the greatest risk to consumers.
- It would provide an incentive for other firms to voluntarily adopt higher standards of behaviour which, research suggests could lead to a significant improvement in outcomes for consumers.
- We believe that financial services can win back the public’s trust by raising professional standards and there is already some research to support this proposition. Incentivising an increase in professionalism could therefore form an important part of the Government’s strategy to reduce the savings and protection gap by facilitating an improvement in the level of engagement with financial products and services.

We offer two examples where firms have made measurable commitments to professionalism through industry-led initiatives. The **Aldermanbury Declaration** and **Chartered Firm** initiatives aim to raise the standards of professionalism in general insurance and financial planning above and beyond mandatory regulatory requirements. Firms that comply with these initiatives commit themselves to the highest standards of professional behaviour, and may therefore pose less risk to consumers in the long term than equivalent firms that do not commit. Whilst these initiatives are in their infancy, the sector has already made big strides forward. 200 firms have already signed up to the Declaration whilst there are already over 350 Chartered Firms across insurance and financial advice.

**Dr Alexander Scott**  
**Chief Executive Officer**  
**The Chartered Insurance Institute**

June 2011



# 1. Introduction

## Overview

The UK's financial regulatory landscape is changing. In the wake of the financial crisis and following the formation of the Coalition, the Government has committed itself to disbanding the FSA and giving more power to the Bank of England.

It is the Government's belief that by giving one body strategic oversight of macroeconomic policy and prudential supervision, it will ensure that the perceived failures of regulators in the lead up to the banking crisis will never be repeated. At the same time the Government wants to strengthen consumer protection by intensifying conduct of business regulation. These two objectives will lead to the creation of two new regulators: one, under the guiding arm of the Bank of England will seek to prevent solvency crises emerging in the UK's largest firms. The other, independently run, will specialise in preventing harm to retail consumers (see figure 1 for HM Treasury's interpretation of the new regime).

These changes represent a significant overhaul of the regulatory structure. However, without meaningful reform to the nature of supervision itself - both in terms of the rules and techniques applied - the change in structure is unlikely to represent anything more than a change in name.

This paper in professionalism sits within the latter debate about rules and techniques. It suggests a new approach to supervision – one that considers a firm's culture as an equally important determinant of consumer outcomes as traditional quantitative indicators like liquidity and credit risk. Clear justification for this new approach has already been put forward by FSA Chief Executive, Hector Sants, in October 2010.

***“I would argue that some of the causes of the crisis were deeply rooted in behavioural or cultural issues that resulted in actions and decisions that, with the benefit of hindsight, were not the ‘right’ ones. Indeed, there are examples of actions and decisions by senior management that can be seen to be at the root cause of their firms’ demise.<sup>1</sup>”***

### Hector Sants

By continuing to focus on the same old quantitative indicators, supervisors will only be able to form a skewed picture of the risks posed by firms. This will remain the case irrespective of the intensity of regulation, unless the focus is realigned to take into account organisational cultures and behaviours.

## Structure

**Chapters 2 and 3** begin by reflecting on the FSA's current, and we argue flawed, interpretation of risk-based supervision. By way of a solution, we suggest that supervisors give more weight to organisational culture in their risk assessment of firms. We then propose that those firms demonstrating good culture should face proportionally less regulation – allowing supervisors to channel more resources at high risk firms and incentivising other firms to adopt higher standards of behaviour.

**Chapter 4** then discusses why professionalism – defined as a commitment to high standards of qualification, continuing professional development and ethics, demonstrates good culture. As part of this argument we refer to research that suggests that firms adopting higher professional standards deliver better outcomes for consumers and experience stronger levels of consumer trust.

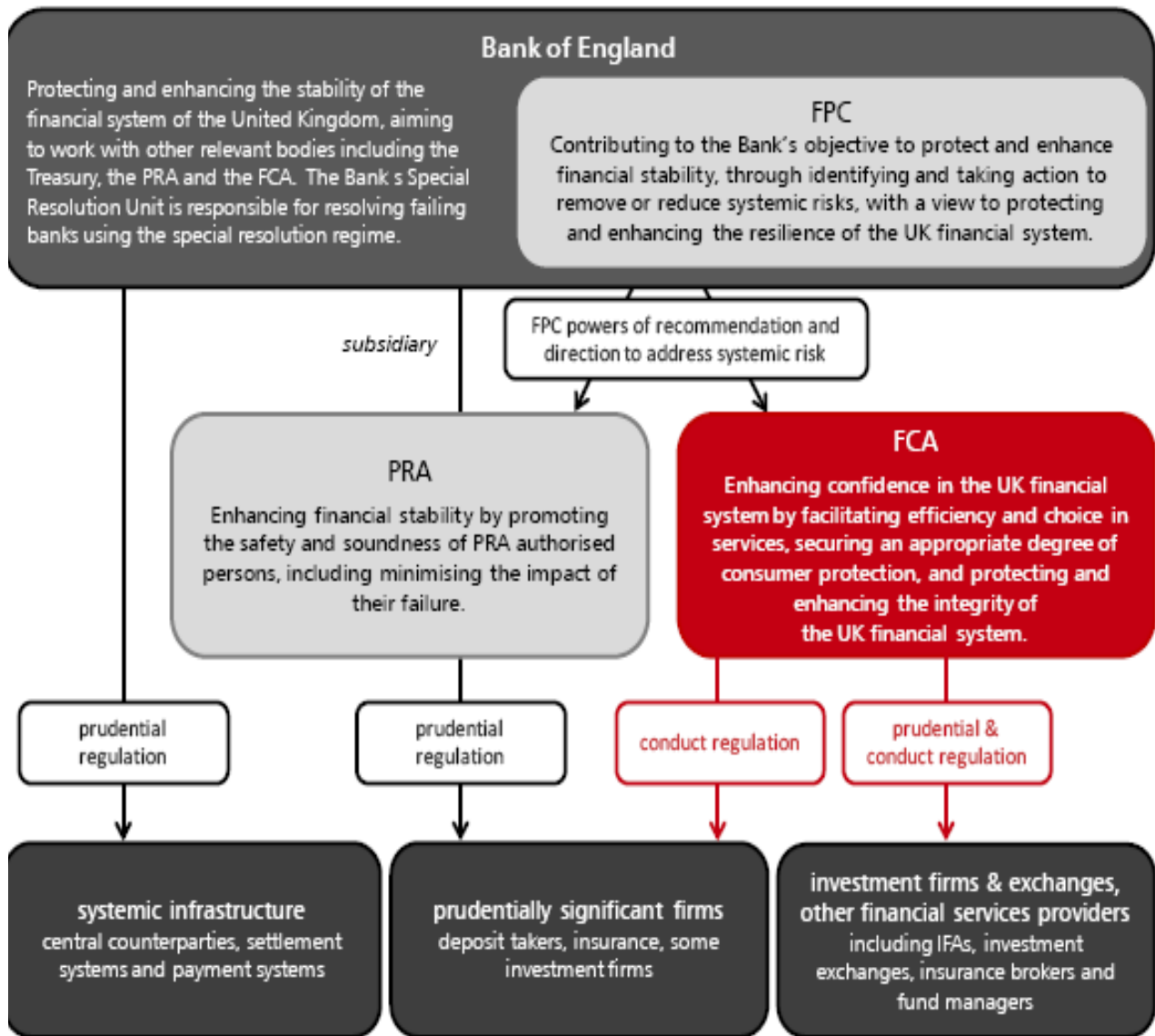
**Chapter 5** provides two examples where firms have made measurable commitments to professionalism through industry led initiatives. The Aldermanbury Declaration and Chartered Firm Status could therefore be used as indicators of lower risk on the basis of a commitment to best practice.

**Chapter 6** brings the paper to a conclusion.

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<sup>1</sup> Hector Sants (Oct 2010), *Can Culture be Regulated?*, Speech to Mansion House Conference on Values and Trust: [http://www.fsa.gov.uk/pages/Library/Communication/Speeches/2010/1004\\_hs.shtml](http://www.fsa.gov.uk/pages/Library/Communication/Speeches/2010/1004_hs.shtml)

Figure 1. High level Diagram of New Regulatory Structure (HM Treasury Interpretation)



(Source: HM Treasury interpretation as at February 2011)

## 2. Improving supervision by recognising culture

- The current supervisory toolkit only gives minimal weight to culture when undertaking a risk assessment of firms.
- However there is evidence to suggest that bad cultures were to blame for many of the poor decisions in the lead-up to the banking crisis.
- In response, this chapter argues that the move towards a new regulatory structure should be accompanied by greater recognition of the importance of the cultural norms and values governing decisions and behaviours.

***“ I would go further than saying regulators should consider the issue. I believe regulators cannot avoid judging culture.”<sup>2</sup>***

### Hector Sants

The banking crisis has shown that the prevailing supervisory toolkit was not sufficient to prevent the sinking of the UK's 'unsinkable' banking institutions. Two of these banks were able to comply with the FSA's rules and still faced insolvency in the autumn of 2008. But the initial response from Government and regulators to this challenge (UK and abroad) has been to try and modify rather than reform the regulator's toolkit - banks will now have to hold more liquid capital and improve their funding positions.

Arguably however, a narrow focus on these quantitative outputs may only capture the end result of years of organisational mismanagement. In the case of our banks, a better understanding of organisational culture or **'the way things are done around here'** may have alerted supervisors earlier, before the structural problems manifested themselves in dangerous ways. The demise of the Royal Bank of Scotland (RBS) is a case in point.

RBS's acquisition of Dutch bank ABN AMRO in 2007 can be seen as a crucial factor in explaining the bank's solvency crises and poor operating performance in future years. The Economist writes:

***“ Depending on which set of subsidiary accounts you use, in 2008 and the first half of 2009 ABN accounted for 75-144% of the combined group's [RBS Group's] operating losses and 47-50% of its loan impairments and gross writedowns from credit and trading activities.”<sup>3</sup>***

### The Economist

Crucially then, the bank's demise can be seen in the context of a poor decision made by senior management. The decision did not however, represent a sudden change in strategic direction. The decision to acquire ABN at an inflated price and without a proper assessment of risk was arguably rooted in RBS's earlier takeover of NatWest in 2000:

***“ The lessons of NatWest run deep at RBS. The deal was a triumph, but meant running down capital to dangerously low levels and rebuilding it with cost cuts yielded by the merger. This would later form the template for ABN. It also emboldened RBS's relatively primitive view of financial performance, with a focus on the bottom line, not safety.”<sup>4</sup>***

### The Economist

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<sup>2</sup> Hector Sants (Oct 2010)

<sup>3</sup> The Economist (Feb 2010), *What really went wrong at RBS? and how can it be put right?*: <http://www.economist.com/node/15580696>

<sup>4</sup> The Economist (Feb 2010)

Perhaps therefore, a better understanding of the underlying management culture following the Natwest deal may have alerted supervisors that that all was not right at RBS long before the question of acquiring ABN was on the table. By giving more weight to the importance of culture, future supervisors will be more able to understand the likelihood of bad decisions being made at a future point in time, and ultimately consumers being harmed. They will therefore become better at differentiating between the 'good' and the 'bad' firms.

**“  
...poor cultures often drive poor decision-making and...cultural change is essential if the industry is to minimise the probability and severity of the next crisis and regain the trust of society.<sup>5</sup>”**

**Hector Sants**

Currently, in order to assess the level of risk posed by a firm the FSA considers a number of different elements of which organisational culture is one of many. The chart below sets out the different factors that the FSA considers relevant in its assessment:

**Figure 2: The FSA’s Key Indicators of Risk – An ARROW II Visit (subject to change following regulatory review)**

Environmental	Business Model	Controls	Oversight and Governance		Other Mitigants	Net Probability
Environmental Risks	Customers, Products and Markets	Customers, Products and Markets Controls	Control Functions	Management, Governance and Culture	Other Mitigants	Customer Treatment and Market Conduct
	Business Process	Financial and Operating Controls				Operating
	Prudential	Prudential Risk Controls				Capital Liquidity

**Source:** FSA (Aug 2006), *The FSA’s Risk Assessment Framework*, p.41

Apart from the elements that make up the FSA’s assessment of management, governance and culture, most of these indicators are concerned with structural issues. So for example, to measure risks posed by business processes the FSA looks at litigation and legal risk, IT systems and structure and ownership amongst others. Similarly with regards to control functions, the FSA reviews a firm’s compliance, internal audit and enterprise-wide risk management. In fact culture is only made reference to in one of the 52 different elements that form a complete ARROW II assessment<sup>6</sup>.

This relatively minimal consideration of culture is inadequate. The move towards a new regulatory structure should be accompanied by greater recognition of the importance of the cultural norms and values governing organisational behaviours when assessing a firm’s riskiness. Future risk assessments should therefore take into account practical steps made by firms to ensure best practice. This argument is not new - on 4 October last year FSA Chief Executive Hector Sants set out his views on ‘regulating’ culture:

<sup>5</sup> Hector Sants (Oct 2010)

<sup>6</sup> FSA (Aug 2006) *The FSA’s Risk Assessment Framework*, p.54-55

**“ ...regulators have a central role to play, which should be to ensure firms have the right culture for their business model – the right ethical framework – to facilitate the right decisions and judgements and we should intervene when we find those frameworks are lacking.<sup>7</sup> ”**

**Hector Sants**

**If culture is an important determinant of firm behaviour, then regulators must find ways to differentiate between culturally ‘good’ and ‘bad’ firms. The next section discusses how this can be done within the context of an increasingly intense regulatory environment.**

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<sup>7</sup> Hector Sants (Oct 2010)

### 3. Culture and efficient regulation

- As regulation becomes more intense it makes sense to proportionally spend less time supervising those firms that demonstrate good culture. This will allow for more resources to be channelled into the supervision of higher risk firms. It will also act as an incentive for other firms to adopt better values and practises.

The Treasury's latest consultation on regulatory reform sets out a broad remit for intervention in the financial services sector. It argues that the new prudential regulator will have a, '*lower risk appetite for issues affecting a whole sector, sub-sector or type of product.*' As such, new measures for intervention and disclosure include:

- 12-month product bans.
- Publishing more information on firms under investigation.
- Banning misleading financial adverts.

The FSA's Business Plan also contains important clues about what we can expect from the new conduct of business regulator going forwards. It states that after the summer of 2011 conduct of business regulation will adopt a new 'proactive supervisory approach' that will include a 'wider spectrum of firms' including 'non-relationship managed firms' and not just retail intermediaries.

It seems then that we have entered an era of increased regulatory scrutiny for all, as aptly described by business columnist Anthony Hilton:

***“ No one in financial services should expect anything other than more regulation, perhaps for the next decade. This applies to fund managers of all descriptions – mainstream as well alternative – to banks, to insurers, and probably to most intermediaries and professional advisers. This is a generational cycle and we are now firmly in the ten years of regulation. ”***<sup>8</sup>

Whilst attempts to reduce incidences of consumer detriment must be welcomed, there still needs to be a clear relationship between the risks firms pose to consumers and the level of scrutiny they must face. The FSA appears to support this view, and has stated that future supervision will be more risk-based '**channeling resources to firms and particular issues where supervision is most needed**'.<sup>9</sup>

The FSA's current approach to risk-based targeting has been to assess the level of risk posed by firms in terms of the potential adverse impact of their activities on consumers, and the likelihood of detriment actually occurring. Firms are then grouped into four broad categories – low, medium low, medium high and high risk. For medium and high impact firms the FSA coordinates its work through a relationship manager who carries out a regular risk assessment and determines a 'risk mitigation programme' in response to the risks identified. All firms, including those identified as low risk are subject to 'baseline monitoring activities' which involve regular submissions of financial and other returns to the regulator.<sup>10</sup>

The above approach is not particularly subtle, and nor can it be when trying to regulate more than 27,000 separate firms. In future however, the regulator has committed itself to a more risk-based approach which would suggest improving on the current arrangement. In this regard, supervisory activities should be minimal where there is little risk of consumer detriment and increased where the risks are greatest. In meeting this aim a simple three tier system where 'baseline' supervision is applied to all firms is inefficient as it reduces the amount of resources that can be channelled to the supervision of firms where the risks to consumers are greatest.

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<sup>8</sup> Anthony Hilton, (Oct 2009), *Confused? Fear not, the analysts are too*, The Evening Standard: <http://www.thisislondon.co.uk/standard-business/article-23756731-confused-fear-not-the-analysts-are-too.do>

<sup>9</sup> FSA, (Mar 2011), *Business Plan 2011*: <http://www.fsa.gov.uk/pages/Library/Communication/PR/2011/033.shtml>

<sup>10</sup> For a breakdown of the FSA's risk assessment framework please see: FSA (Aug 2006), *The FSA's Risk Assessment Framework*

Regulators can improve on this situation by developing a broader set of groupings than the 'low' 'medium low', 'medium high' and 'high' categories currently in play. This would more adequately reflect the variety of risks posed by different financial services firms and activities. It follows that by channelling proportionally less resources towards those firms that demonstrate sound organisational culture, the regulator can spend more time on supervising more risky firms as well as providing an incentive for firms to develop best practice. However, to embed good culture within the new regulatory framework, there need to be clear indicators of what good culture looks like.

## 4. Professionalism: improving consumer outcomes and strengthening trust

- The new regulators should give greater consideration to culture as part of assessing the risks posed by firms. In turn firms demonstrating good culture should have their level of risk downgraded in future and face proportionately less scrutiny as a result.
- In the subsequent section we press the case for professionalism as an indicator of good culture.
- There is clear justification for this approach: there is a growing evidence base to show that firms that have higher professional standards deliver better outcomes for consumers and benefit from greater public confidence.

### FSA Research into the Benefits of Professionalism

A commitment to **qualifications**, **continuing professional development** and a **code of ethics** are all important 'pillars of professionalism'<sup>11</sup>. The FSA and the Treasury have acknowledged the importance of each of these elements for improving consumer outcomes as part of the Retail Distribution Review (RDR) which is aimed at raising the standards of retail investment advice. FSA research, referred to by the current Financial Secretary to the Treasury in November 2010<sup>12</sup>, found that advice from practitioners meeting the highest professional standards (Chartered) was deemed suitable in **71%** of cases whereas advisers with the current mandatory qualification (certificate) delivered suitable advice in just **11%**.<sup>13</sup>

### Professionalism and Consumer Outcomes

The FSA's research into the relationship between professional standards and consumer detriment is a good start more needs to be done to demonstrate the link between high professional standards and better consumer outcomes and we are looking at how this might be achieved.

### Professionalism and Consumer Trust

Complementing our work on the relationship between professionalism and consumer outcomes is our research on consumer trust. In 2009, on behalf of the CII, YouGov surveyed over 2000 members of the public in an effort to understand consumer views about Chartered firms and individuals – those who abide by the highest standards of qualifications, CPD and ethics. This in-depth survey, found that an important factor in determining whether or not people trusted a financial services firm or practitioner was whether they held the title 'Chartered'<sup>14</sup>. The headline results were:

- Consumers expect greater professionalism from Chartered persons and organisations.
- Consumers have greater trust in advice from Chartered professionals than professionals that are not Chartered.
- Consumers believe that you can generally trust the advice you get from Chartered organisations.
- Consumers have more confidence in the quality of organisations that use the term Chartered than those that are not Chartered.

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<sup>11</sup> PARN's research into the 'three pillars of professionalism' can be found via their website: [http://www.parnglobal.com/the-three-pillars-of-professional-standards\\_2.htm](http://www.parnglobal.com/the-three-pillars-of-professional-standards_2.htm)

<sup>12</sup> Mark Hoban, (29 Nov), Commons debate about the regulation of Independent Financial Advisers <http://www.publications.parliament.uk/pa/cm201011/cmhansrd/cm101129/debtext/101129-0004.htm#1011302000275>

<sup>13</sup> Consultation Paper 10/14: *Delivering the RDR* [http://www.fsa.gov.uk/pages/Library/Policy/CP/2010/10\\_14.shtml](http://www.fsa.gov.uk/pages/Library/Policy/CP/2010/10_14.shtml)

<sup>14</sup> CII (Polling by YouGov) (2009), *Consumer Views of Chartered Status*: [http://www.cii.co.uk/downloaddata/Consumer\\_views\\_of\\_Chartered\\_status.pdf](http://www.cii.co.uk/downloaddata/Consumer_views_of_Chartered_status.pdf)

There has also been more general research conducted on the links between professional standards and consumer trust. A research paper by Jackie Wells and Mary Gostelow found that:

*“ Professional bodies play an important role as a proxy that enables consumers to place their trust in a professional. Knowing that a professional is regulated, meets certain standards of knowledge and is subject to a code of ethics facilitates trust even when the individual professional themselves is not known.”<sup>15</sup>*

Jackie Wells and Mary Gostelow

The above results are noteworthy, particularly in light of the Government’s current preoccupation with closing the savings and protection gap<sup>16</sup>. High levels of professionalism symbolised by the title Chartered, appears to act as an antidote to the current high levels of mistrust felt by the general public towards financial services. Incentivising an increase in Chartered numbers may be one way to increase levels of trust and engagement with financial products and services.

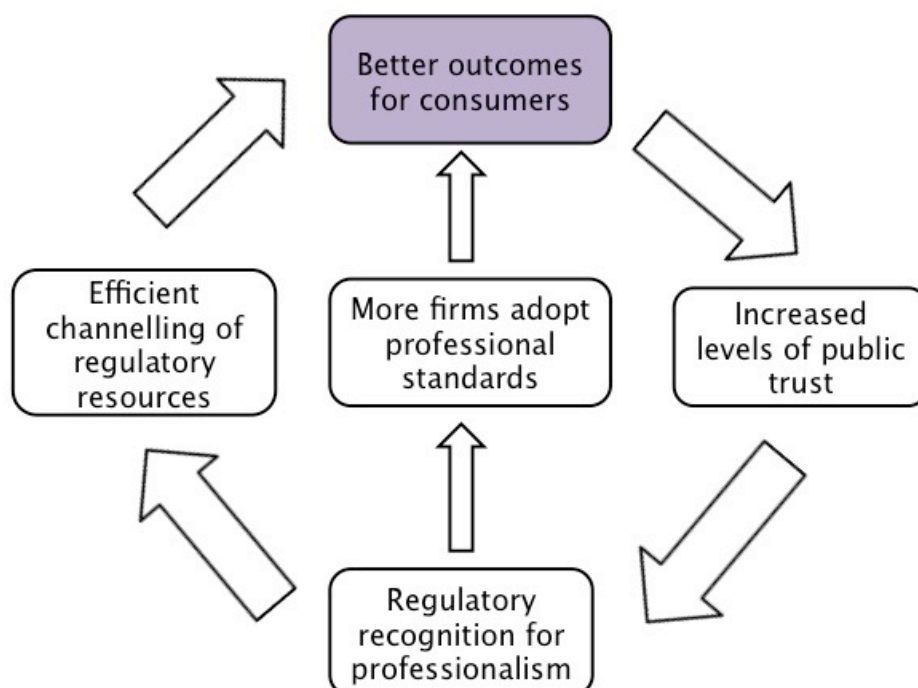


Figure 3. Embedding professional standards: the virtuous circle

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<sup>15</sup> Wells and Gostelow (Nov 2009, updated 18 March 2011) *Professional Standards and Consumer Trust*, Prepared for the FSA: <http://www.fsa.gov.uk/pubs/other/psct.pdf>

<sup>16</sup> See for example the recent discussion paper from the Treasury on *Simple Financial Products*: [http://www.hm-treasury.gov.uk/consult\\_simple\\_financial\\_products.htm](http://www.hm-treasury.gov.uk/consult_simple_financial_products.htm)

## 5. Indicators of a commitment to high professional standards

- Industry-led initiatives like the Aldermanbury Declaration in general insurance and Chartered status (both for individuals and for firms) aim to raise the standards of professionalism in general insurance and financial planning above and beyond mandatory regulatory requirements.
- Firms that comply with these initiatives commit themselves to the highest standards of professional behaviour, which we believe acts as a proxy for good culture.
- Crucially, by easing the level of scrutiny for such firms, the regulator can incentivise others to adopt higher standards through these initiatives.
- Through a proactive recognition of a firm's commitment to professionalism, the regulator can validate examples of best behaviour, and stimulate behavioural change for those who lag behind. This could result in a virtuous circle with standards increasing across the board, to the benefit of the consumer.

### The Indicators of high standards

#### Aldermanbury Declaration

In cooperation with leading figures in the general insurance market, the CII formed a task force in 2009 to raise professional standards in general insurance. The result was the Aldermanbury Declaration published in March 2010 calling on the sector to commit to a common framework of professional standards for its practitioners. The Declaration is a voluntary industry-led initiative that seeks to deliver the following benefits:

- Better outcomes for customers.
- Improved standards of risk management.
- A more confident, trusted profession.
- More talented people attracted to a career in insurance.
- Increasingly rewarding careers for those within insurance.
- Reinforcing the reputation of the London wholesale insurance market.

By the first anniversary of the Declaration, 200 firms, including all major insurance firms had signed up to this commitment. We believe these proposals are ambitious but realistic and have called on all firms signing up to implement the changes by December 2013.

Minister of State for Skills, John Hayes MP, has already acknowledged his support for the Aldermanbury Declaration, saying that it is as an "excellent example of the kind of arrangements that can be put in place, by industry, under the leadership of a professional body"<sup>17</sup>.

#### Chartered Firms

Firms as well as individuals can attain Chartered title status. To become Chartered, firms must ensure staff members acquire and retain the necessary knowledge and skills to deliver the highest quality advice. They must also work in an ethical manner that places clients' interests at the heart of the advice they give. Chartered status, granted by the Privy Council, gives insurers parity with other professional firms and distinguishes the Chartered title holders from competitors.

At the heart of Chartered firm status is a desire to deliver improved standards of knowledge and behaviour in general insurance and financial advice. This can be achieved by creating a framework that encourages and supports firms as they strive to raise standards of capability and ethical practice. A corporate Chartered title is therefore a commitment to an overall standard of excellence and professionalism.

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<sup>17</sup> John Hayes MP (Nov 2010), *Letter from Department for Business Innovation and Skills to CII CEO Dr Alexander Scott*

While the concept is still a relatively new one it is developing support rapidly as it offers an interesting option to develop professional standards at a firm rather than individual level. There are currently over 350 Chartered firms.

**Both the Aldermanbury Declaration and the Chartered firms initiatives, reflect a growing movement towards higher professional standards across general insurance and financial planning. If, as we believe, increased professional standards decreases the risks of consumer detriment, then a firm that adheres to one or both of these initiatives is likely to deliver better consumer outcomes than would otherwise be the case.**

Moreover, recognition by the regulator that firms complying with these initiatives pose less risk to consumers and therefore require less regulation would be consistent with the Coalition's pledge to:

**“  
...end the culture of tick-box regulation and instead target  
inspections on high-risk organisations through co-regulation and  
improving professional standards.”<sup>18</sup>**

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<sup>18</sup> The Coalition Agreement p.9: [http://www.cabinetoffice.gov.uk/sites/default/files/resources/coalition\\_programme\\_for\\_government.pdf](http://www.cabinetoffice.gov.uk/sites/default/files/resources/coalition_programme_for_government.pdf)

## 6. Conclusion

This paper has argued that regulators need to shift their focus away from a pre-eminent concern with structure to one that considers cultures and behaviours as an equally important determinant of consumer detriment. There is an opportunity to incentivise good ethical behaviour and better culture through leadership as part of the new regulatory and supervisory settlement.

Future risk-based targeting should therefore be more weighted towards assessing culture and should more adequately reflect the numerous degrees of risk posed by various financial services firms and activities. In particular we have argued that the regulator should take account of the relatively lower risk posed by those firms that adhere to high standards of professionalism, demonstrated by a measurable commitment to qualifications, continuing professional development and a code of ethics. There are a number of important public interest benefits to be gained by reducing the relative intensity of supervision for firms that demonstrate high standards of professionalism:

- It would enable the regulator to channel more resources towards regulating firms that pose the greatest risk to consumers.
- It would provide an incentive for other firms to voluntarily adopt higher standards of behaviour which, research suggests could lead to a significant improvement in outcomes for consumers.
- We believe that financial services can win back public trust by raising professional standards and there is already some research to support this proposition. Incentivising an increase in professionalism could therefore form an important part of the Government's strategy to reduce the savings and protection gap by facilitating an improvement in the levels of engagement with financial products and services.
- The public interest will be served by proactively incentivising good culture through rewards rather than a regulatory regime which only reacts once consumer detriment has occurred.

We have offered two examples where firms have made measurable commitments to professionalism through industry-led initiatives. The **Aldermanbury Declaration** and **Chartered Firm** initiatives aim to raise the standards of professionalism in general insurance and financial planning above and beyond mandatory regulatory requirements. Firms that comply with these initiatives commit themselves to the highest standards of professional behaviour, and may therefore pose less risk to consumers in the long term than equivalent firms that do not commit. Whilst these initiatives are in their infancy, the sector has already made big strides forward. 200 firms have already signed up to the Declaration whilst there are already over 350 Chartered Firms.

**Embedding professionalism into the regulatory framework through these two initiatives is in the public interest. Without this provision for good culture, supervisors will only be able to form a skewed picture of the risks posed by firms which will ultimately put the public at risk. This will remain the case irrespective of the intensity of regulation, unless the focus is realigned. A change in direction is needed, and by embedding professionalism into future risk assessments, the supervisors of tomorrow will truly demonstrate A New Approach to Financial Regulation.**

**For further information or to feed back your views, please contact: Ben Franklin, Policy and Research Coordinator at the Chartered Insurance Institute.  
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## Previous CII Papers in Professionalism

As part of our long term drive to promote greater levels of professionalism and ethical behaviour in insurance and financial services, we have been publishing a series of papers looking at the way forward for a modern and progressive profession. The series explores, in depth, various issues around raising standards and building trust in our sector. Individual topics include continuing professional development and ethical behaviour. All are available free on the CII website: [www.cii.co.uk/papersinprofessionalism](http://www.cii.co.uk/papersinprofessionalism)

### 1: Twenty-First Century Professionalism

In the first of this series, [Twenty-First Century Professionalism](#), we give an overview of what professionalism means, how the professions have evolved, key challenges, and our vision for the future of professionalism. The paper identifies the key characteristics of the 'new wave' of professions, focusing outwards towards the public not just inwards to the profession itself.

### 2: Getting Professional about Ethics

In Spring 2008 we undertook a review of our approach to professional ethics as a part of its wider work on the concept of new wave professionalism. We commissioned an independent review of all aspects of our ethical approach and processes. The review considered how to develop professional ethics across the industry and examines the full range of tools available to the CII to assist in this process, including training and education, member communications, structures, CPD and enforcement. [Getting professional about ethics](#) is a summary of the report.

### 3: The New Benchmark for Financial Advice

This paper puts forward a suggested structure for the new Retail Distribution Review (RDR) benchmark qualification (QCF level 4) proposed by the FSA in November 2008. The paper, [The New Benchmark: A Model Advice Qualification Post-RDR at QCF Level 4](#), sets out a proposed model for the profession for debate, including a recommendation of standard study time and degree of difficulty that should be applied by all qualification providers.

### 4: Beyond Box Ticking: CPD and the 21st Century Professional

This looks at the role of Continuing Professional Development (CPD) in building and maintaining a high level of professionalism. In the past, CPD has been seen by some to be a matter of routine compliance – just another box to tick. Ongoing learning can and must go beyond box-ticking, and be part of a package of standards of knowledge and behaviour. [Beyond Box-Ticking](#) seeks to encourage a practical and constructive debate amongst members and other industry stakeholders, as well as those in other professions who are having a similar discussion.

### 5: The Stamp of Quality? The importance of Being Chartered

[The Stamp of Quality?](#), presents consumer and member research on the value of the Chartered brand. The key findings suggest that the public know and trust the Chartered mark more than any other professional designation. At a time when trust is a rare commodity, this makes Chartered more important and relevant than ever.

### 6: Building Trust Through Independent Standards: Our View on an Independent Professional Standards Board

This paper sets out our proposals for a Professional Standards Board which had been under consideration as part of the FSA's Retail Distribution Review. [Click here](#)

### 7: Everybody Wins: Pro Bono as a Hallmark of the Professional

Pro bono work undertaken in support of the community is becoming increasingly popular for many professions. This paper entitled [Everybody Wins: Pro Bono as a Hallmark of the Professional](#) argues that "giving something back" to society through either in-kind gratis work for the public or volunteering in support of a worthy cause is as much a part of professionalism as passing exams, attaining qualifications or doing CPD.