

Anne Macadam
Governance and Professionalism
FCA
25, The North Colonnade
Canary Wharf
London E14 5HS

31st October 2014

Dear Anne,

FCA PRACTITIONER PANEL RESPONSE TO CP14/13 ACCOUNTABILITY IN BANKING

The Practitioner Panel has provided input through various channels to the FCA's work on accountability and has received comprehensive feedback on its comments. However, we have a number of further high-level points we would like to make relating to the issues addressed in this consultation paper.

The Senior Managers Regime

We appreciate the measures to be put in place are implementing the Financial Services (Banking Reform) Act 2013 which aims to increase the level of personal responsibility of individuals in senior positions. However, we are concerned that the general tone of the proposals will result in difficulties in attracting and retaining talented individuals to senior positions if they perceive that they will be held responsible for actions which they could not reasonably be expected to influence. This is in addition to the presumption that senior managers are responsible for any contraventions that occur within their area of responsibility. We are already seeing the resignation of Board members from financial services firms in this context. However, we understand that the difference between the role of Non-Executive and Executive Directors will be differentiated in their Statements of Responsibilities, and believe this is an important aspect of the regime.

Collective Responsibility

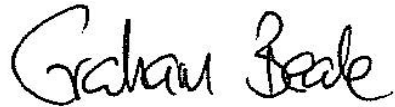
We do have concerns that an increased focus on individual responsibility in governance structures may affect the balance of individual versus collective decision making. We believe that better decisions are made collectively, and that an excessive focus on the behaviour of individuals could have an adverse effect on businesses.

Scope

We understand that the existing rules, applying only to Approved Persons, will be replaced by a set of wide-reaching Conduct Rules. We accept that all decision-making and policymaking within the business should be covered by the new regime but day to day performance management is an operational rather than a regulatory process. Administering an extensive set of conduct rules will be difficult for large organisations, particularly if they are to apply to all staff other than ancillary functions. The implementation, evidencing and monitoring of a set of conduct rules is more than a 'tick box' exercise and will require a substantial amount of resource, which will ultimately be paid for by customers.

We are, however, more comfortable that the Senior Managers Regime will apply only to individuals performing a Senior Management function. The personal risks and accountability for an employee have to be appropriate to the level of remuneration and should not deter people from working in the industry. We believe that the SMR should be clearly targeted to apply to the smallest number of relevant roles, and continue to offer help with where the line should be drawn from our own organisations' hierarchies and trading structures.

Yours sincerely,

A handwritten signature in black ink that reads "Graham Beale". The signature is written in a cursive, slightly slanted style.

Graham Beale,
Chairman, FCA Practitioner Panel