

From: FCA
Sent: 06 January 2016 11:06
To: HMT
CC: CEOoffice <CEOoffice@fca.org.uk>
Subject: FCA lines on reviews.

See below the answers. Please give me a call with any questions.

From: HMT
Sent: 05 January 2016 14:14
To: FCA
Subject: FCA lines on reviews.

The key things I need to know are:

Conduct review

- **When it was announced:**

The culture thematic review was announced in the FCA Business Plan 2015/16, which was published in 24 March 2015.

- **When the cancellation was first communicated and who it was communicated to:**

The decision not to continue with the thematic review was first communicated to the FCA Consumer Panel, FCA Practitioner Panel and the PRA on 17 December 2015. We also informed a member of the Treasury Select Committee on the same day, given their previously expressed interest in this specific piece of work. The nine retail firms who participated in the review were informed via letter on the 18 December, and the Banking Standards Board was also updated on the 18 December. We informed the BBA on 21 December.

- **What further official announcements were made:**

The FCA has made no further official announcements on the decision not to continue with the thematic review other than responding to press queries. For background, progress updates on our thematic work are usually done through the FCA's Annual Report.

Our press lines are below:

"A focus on the culture in financial services firms remains a priority for the FCA. There is currently extensive ongoing work in this area within firms and externally. We have decided that the best way to support these efforts is to engage with individually with firms to encourage their delivery of cultural change as well as supporting the other initiatives outside the FCA."

"Having undertaken an initial piece of scoping work we decided that a traditional thematic review would not help us achieve our desired outcomes and we would therefore take forward our work on culture through other routes. This was an FCA decision. HMT were not involved."

Further background on the culture work

A focus on the culture in financial services firms remains a priority for the FCA. There is currently extensive ongoing work in this area within firms. We have decided that the best way to support these efforts is to engage individually with firms to encourage their delivery of cultural change as well as supporting other initiatives outside the FCA. Culture is an integral part of what drives firms' behaviour, and is therefore relevant to all the work we do.

Having undertaken an initial piece of scoping work this summer we decided that a traditional thematic review would not help us achieve our desired outcomes and we would therefore take forward our work on culture through other routes and that the most effective way for us to support culture change was to focus on engagement with individual firms, offer support to the increasing number of initiatives outside the FCA on banking culture – such as the work being done by the G30 and by the BSB – and use our position as the conduct regulator to promote constructive discussions about this with various stakeholders including industry and consumer groups. This was an FCA decision.

We have fed back our observations to the firms that participated in the initial work, but we will not publish these as we did not undertake a detailed review. The initial work was designed to inform us about the best approach to delivering the rest of thematic review.

We continue to implement the recommendations of the Parliamentary Commission on Banking Standards. In particular, we have set out final rules for the new accountability framework for individuals working in banks, building societies and credit unions and have also issued final rules on whistleblowing in deposit-taking institutions and other firms. We have new rules to strengthen the alignment between long-term risk and reward in the banking sector, by requiring firms to defer payments of variable remuneration over a longer time frame and enhancing the ability of firms to recover variable remuneration if risk management or conduct failings come to light. By enhancing accountability this should result in firms taking responsibility to deliver cultural change. We believe individual accountability is essential to drive culture change. The new accountability rules come into force in March 2016.

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From: FCA
Sent: 05 January 2016 18:18
To: Action, EST - HMT
Cc: HMT; CEOoffice
Subject: Lines on culture review and inducements

We heard a few rumblings today about our culture work possibly coming up during PMQs tomorrow. If it does, hopefully the below will be of use for briefing.

Culture

A focus on the culture in financial services firms remains a priority for the FCA. There is currently extensive ongoing work in this area within firms. We have decided that the best way to support these efforts is to engage individually with firms to encourage their delivery of cultural change as well as supporting other initiatives outside the FCA. Culture is an integral part of what drives firms' behaviour, and is therefore relevant to all the work we do.

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- When it was announced
- When the cancellation was first communicated and who it was communicated to
- What further official announcements were made

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From: Richard Monks FCA
Sent: Tue 05/01/2016 11:02
To: HMT
Subject: RE:

This is our line...

We have completed the initial discovery work for a thematic review of culture in wholesale and retail banks. However, we have decided not to continue further with this thematic review and will continue our culture oversight through firm supervision and other activity. We have concluded that this culture thematic review would not be the most effective approach to supporting successful delivery of cultural change. This is because banks themselves must take responsibility for defining the standards they expect from staff and managers and deliver necessary changes and culture is unique to each individual firm.

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From: HMT
Sent: 05 January 2016 10:52
To: Richard Monks FCA
Subject:

Can I just run a line we're using past you as well? I'm not sure where it's come from so I need to know that it's accurate:

At the moment we say that the culture review was dropped and "the decision reflects their view that the best way of changing culture is to support individual firms to bring about change".

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From: FCA
Sent: Thu 31/12/2015 15:24
To: HMT; Action, EST – HMT
CC: HMT; CEOoffice

We said in the business plan 2015/16 we would do a thematic review on whether culture change programmes in banking were driving the right behaviours focussing in particular on middle management. We did some initial work over the summer – gathering information from some firms to assess where they were on this. It became clear as we were doing this that there was significant overlap with work the BSB was also doing so we were conscious of the desire not to duplicate that work.

Having got the initial information back we were able to pull out some useful headline observations which we have fed back to firms. However we concluded that a traditional thematic review was unlikely to be the best way to achieve the outcomes we were looking for. We therefore concluded that the most effective way for us to support culture change was to focus on:

- Engagement with individual firms
- Support to the increasing number of initiatives outside the FCA on banking culture – such as the work being done by the G30 and by the BSB
- Using our position as the conduct regulator to promote constructive discussions about this with various stakeholders including industry, consumer groups etc.

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-----Original Message-----

From: Action, EST - HMT
Sent: 31 December 2015 15:19
To: FCA
Subject: Re: FCA story today – culture in banks

Do you have any background information on the review – i.e when it was announced, what its objectives were etc?

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From: FCA
Sent: 31 December 2015 12:21

To: HMT; Action, EST - HMT
Cc: CEOoffice
Subject: FCA story today - culture in banks

Just to let you know that we've put a couple of lines out today in response to the press coverage of the FCA thematic work on culture, which we are no longer taking forward in the traditional 'thematic' sense. The lines we have provided are below, the first was this morning and the second has just gone out now to the Daily Mirror.

"A focus on the culture in financial services firms remains a priority for the FCA. There is currently extensive ongoing work in this area within firms and externally. We have decided that the best way to support these efforts is to engage with individually with firms to encourage their delivery of cultural change as well as supporting the other initiatives outside the FCA."

"Having undertaken an initial piece of scoping work we decided that a traditional thematic review would not help us achieve our desired outcomes and we would therefore take forward our work on culture through other routes. This was an FCA decision. HMT were not involved."

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-----Original Message-----

From: FCA
Sent: 31 December 2015 12:21
To: HMT
Subject: RE: FCA statement

This is our line:

"Having undertaken an initial piece of scoping work we decided that a traditional thematic review would not help us achieve our desired outcomes and we would therefore take forward our work on culture through other routes. This was an FCA decision. HMT were not involved."

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-----Original Message-----

From: FCA
Sent: 31 December 2015 09:17
To: HMT
Subject: FCA statement

Here's our statement

"A focus on the culture in financial services firms remains a priority for the FCA. There is currently extensive ongoing work in this area within firms and externally. We have decided that the best way to support these efforts is to engage individually with firms to encourage their delivery of cultural change as well as supporting the other initiatives outside the FCA."

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