



RETAIL AND WHOLESALE BANKING:

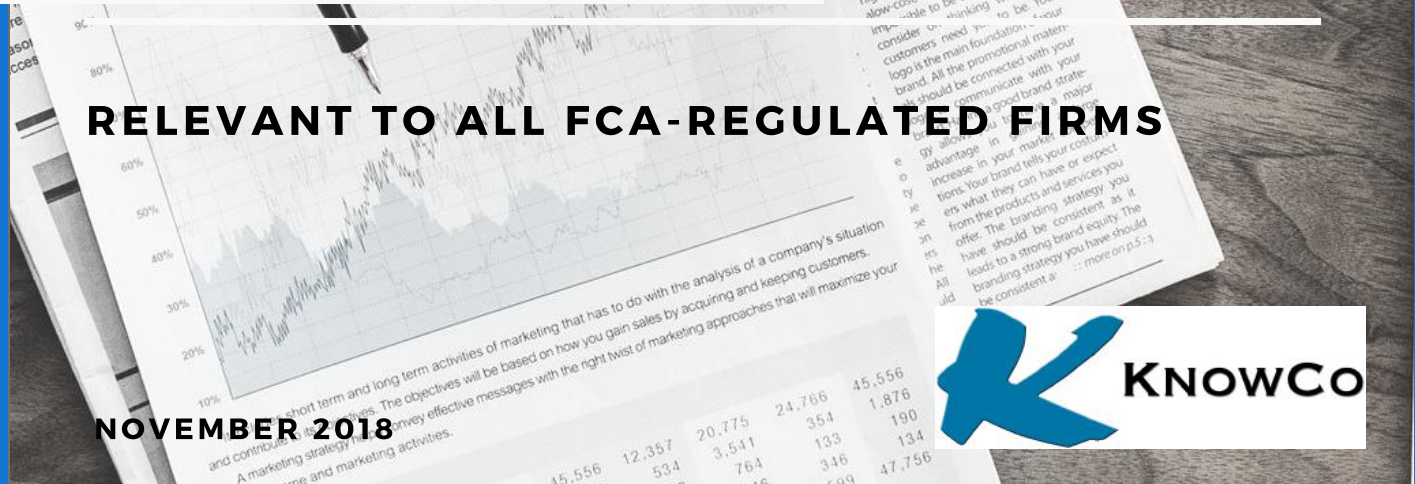
A REVIEW OF FIRMS' WHISTLEBLOWING ARRANGEMENTS

'...FIRMS' CULTURE AND GOVERNANCE REMAINS A KEY PRIORITY FOR THE FCA"

Paul Ashton, Director

A KNOWCO REGULATORY DIGEST

Paul Ashton, Director



RELEVANT TO ALL FCA-REGULATED FIRMS

NOVEMBER 2018



REVIEW OF WHISTLEBLOWING IMPLEMENTATION

Recent regulatory actions show the seriousness with which we and the PRA consider whistleblowing failings [eg Barclays' CEO fined £642K for whistleblowing/conflict of interest failings].

The latest stage of our supervision work reviewed firms' approach to implementing the new rules.

We included a range of retail and some wholesale banks in our work and found common themes across them.

REQUIREMENT: THE WHISTLEBLOWERS' CHAMPION



THE REQUIREMENT TO APPOINT A WHISTLEBLOWERS' CHAMPION IS TO ENSURE THERE IS SENIOR MANAGEMENT OVERSIGHT OVER THE INTEGRITY, INDEPENDENCE AND EFFECTIVENESS OF THE FIRMS' ARRANGEMENTS

- These include those arrangements designed to protect whistleblowers from victimisation, and overseeing the preparation of an annual report to the firm's governing body.

REQUIREMENTS (EXTRACTS)

FIRMS SHOULD:

Have up-to-date written procedures, which are readily available to employees, outlining the firm's approach to whistleblowing

Clearly explain that raising a whistleblowing concern to the FCA or PRA is not conditional on a report first being made using at the firm's internal arrangements

Have a documented investigation process that explains how they progress whistleblowing cases, and provides a clear and consistent approach for those responsible for operating the firm's arrangements

Document and embed their approach to preventing victimisation (and have) measures and safeguards in place to protect whistleblowers from retaliation



REQUIREMENTS (EXTRACTS)

FIRMS ALSO SHOULD:

Ensure a whistleblowing report is made annually to its governing body

Ensure the whistleblowers' champion has the responsibility for overseeing the production of the annual whistleblowing report

Provide appropriate training for UK-based employees (and all managers of UK-based employees

Tell the FCA promptly about contested but lost employment tribunal cases, where the claimant successfully based all or part of their claim on either detriment suffered as a result of making a protected disclosure, or being unfairly dismissed



OTHER AREAS FOR IMPROVEMENT

THE FOLLOWING DEFICIENCIES RECEIVE SPECIAL MENTION:

—

- Many firms had not fully implemented or sufficiently considered the SYSC18 requirements
- A number of firms need to develop or enhance their arrangements to demonstrate how whistleblowers would be protected against victimisation
- Some annual reports did not contain a sufficient level of information and analysis, particularly where firms had a lower volume of whistleblowing cases
- Most firms need to improve the detail provided in their training
- Most firms did not distinguish between the training provided to all employees and the training given to managers, and those operating the firms's internal arrangements, which includes investigation teams

A DEEPER RELATIONSHIP



**KNOWCO IS A
SPECIALIST FINANCIAL
INSTITUTION RESOURCE
AND PROVIDER OF
SOFTWARE THAT
SUPPORTS COMPLIANCE
WITH BANKING
REGULATORY
REQUIREMENTS**

KnowCo is a long term, dedicated GRC support partner for UK banks, building societies and other financial institutions. Since our foundation in 2010, we have served more than 40 UK institutions in assignments including:

- ICAAP
- ILAAP
- RRP
- AML & Financial Crime Risk Assessment
- IFRS 9 adoption and implementation
- Credit Risk Modelling
- Risk Appetite Statements
- Business and Strategic Planning
- Stress-testing
 - Liquidity
 - IRRBB
 - Credit Risk Capital (Pillars 1 & 2A)

