Banking: Stepping into the next decade – Human Capital, Green Finance, Professionalism & Ethics

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Introduction

The Chartered Banker Institute is the oldest professional banking institute in the world, founded in 1875. In the Foreword to the very first edition of the Institute's journal, our then President, Alexander Bogie, wrote that:

"There has been no time in the history of banking more interesting than the present to the student of the great science of finance, no period more filled by problems theoretical and practical. It seems as if … we stand at a parting of the ways, when only the ethical principles … are to remain to us as the perpetual foundation on which new ideas and modes of practice are to be raised …"

As we congratulate our colleagues at the Indian Institute of Banking and Finance on their many and considerable achievements on the occasion of their 90th Anniversary, it seems appropriate to begin with some historical context. Yet the sentiment evoked all those years ago seems highly relevant today, as we consider the challenges, forces and opportunities shaping banking and financial services in the next decade – and beyond.

Clearly, the world of banking has been characterized by considerable and constant change since, the Chartered Banker Institute and the Indian Institute of Banking and Finance were established. In recent years, the pace of change has been accelerated further by globalization, the global finance crisis and, of course, by the impact of digital technologies and, most recently of all, by artificial intelligence and machine learning. We do, of course, live in very uncertain times, which makes predicting the future an extremely difficult task. I think I am on safe ground, however, in my presumption that the pace of technological change in banking over the next decade is only set to accelerate again. We certainly see this in the UK with the rapid adoption of mobile banking, and the switch to digital payments, which this year overtook cash for the first time.

At the Chartered Banker Institute – and I know this is the same for our colleagues in many banking institutes around the world– we are determined to keep abreast of all the latest developments in banking and technology, whilst retaining pride in our history and achievements, and maintaining customer-focused, ethical professionalism at the heart of our approach. So, as we step into the next decade, we are acutely aware of the changing nature of banking practice, banking roles, banker capability and the banking profession in a digital age, and are continually developing new and up-to-date curricula and qualifications in areas including digital banking, technology and green finance in addition to more traditional, core banking areas such as credit, risk, regulation and professional ethics. And – just as banks themselves increasingly collaborate and co-operate – we do similarly with our professional body counterparts in Europe and through the newly established Global Banking Education Standards Board, of which the Chartered Banker Institute and the

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Indian Institute of Banking and Finance are founder members, as we consider the future of banking.

As we do so, we not only reflect on the changing nature of banking in the digital era, but also in particular consider, and try to predict, the skills, expertise and professional judgement that will be required by bankers today and tomorrow.

Banking and Technology

My view is that, despite everything we hear and read - about artificial intelligence, bitcoin, blockchain, fintech, digital banking, electronic trading and robo-advising; the heart of banking remains the essential human capital that our industry depends on even more than financial or technological capital. I believe that highly qualified, knowledgeable, skilled, dedicated, customer-focused banking professionals will shape the future of banking, as much as the new technologies that are transforming our industries will. In fact, I believe that in a digital age where bankers will very often be disintermediated from customers, who will appear as data points rather than as people, instilling a sense of customer-focused, ethical professionalism is more important than ever.

Our banking profession will continue to be shaped and re-formed by innovation as well as by other forces such as changing demographics, changing customer demands and regulation. This will, inevitably, have an impact on the future knowledge and skills required. Some parts of banking may become partly or fully de-skilled, or be fully automated. But, other aspects will require highly qualified banking professionals, skilled in credit, risk, banking operations, regulation, technology, sustainable finance and, of course, able to apply professional and ethical judgement shaped by their expertise, experience, and commitment to the professional values set out in ethical codes such as our own Chartered Banker Code of Professional Conduct. Machines may do much of the work in the future. But they will need to be trained and maintained by qualified, expert bankers. And their outputs will need to be interpreted, communicated (and, at times, defended) by qualified, expert bankers. Artificial intelligence and machine learning is expected to enhance rather than replace human judgement, and I believe that future bankers will still require core banking skills alongside a deeper understanding of technology and how to apply agile methodologies to developing, integrating, deploying and assessing technological advances.

Whilst some argue that professionalism and professionals will have no place in a technology-led future, I disagree. Looking back at history, our journals from the 1950s, 1970s, 1990s and 200s show that similar debates were held when mainframe computers entered banking, when ATMs and other technologies transformed parts of high street branch banking, as many aspects of wholesale banking and trading became automated, and most recently when the dotcom boom led to the rapid growth of internet banking. In each case, banks and bankers had to acquire new knowledge and skills, and in doing so develop their own personal capabilities and further their career prospects. Core banking skills, though, combined with a customer-focused, ethically professional approach remained – and where these were lost, problems swiftly arose.

To support the emerging needs of banks and bankers in our new, digital age, we have recently relaunched our flagship Chartered Banker Diploma. Designed by both banking and technology experts, the new Chartered Banker Diploma helps new and experienced bankers alike develop both core banking skills and their understanding of technology to give them the professional knowledge and skills required to succeed for themselves, their customers, and their banks. Initial responses in the UK have been highly positive, and the new Chartered Banker Diploma will shortly be launched globally.

Green Finance

Technology is re-shaping much of our economic and social life, but the threat and reality of climate change – is and will re-shape our shared planet in the

coming decades to a much greater extent. Achieving a successful transition to a low-carbon world is, in my view, the greatest global challenge for this and future generations. Facilitating this transition will require the combined and sustained efforts of global bodies such as the UN, national governments and the private sector. The Global Commission on the Economy and Climate Change estimates approximately $93 trillion of global infrastructure investment between 2015 and 2030 will need to be made in order to meet climate change commitments, with the majority of that finance coming from the private sector – facilitated by banks and other financial services institutions.

It is my sincere hope, and firm expectation, that what many may still see as a specialist "green finance" sector will very rapidly become part of the mainstream of banking and finance, with sustainability, stewardship and other green finance values part of everyday, ordinary banking practice. This will not only help embed green finance within financial services; by supporting the transition to a low-carbon world and helping overcome the greatest global challenge we face, it will demonstrate in a very practical way the social purpose of banking, and help reconnect banks and society.

Successfully embedding sustainability and green finance at the heart of our financial services sector also requires developing the capabilities of significant numbers of green finance professionals – current and future - with the knowledge and skills needed to help customers and communities direct investments to support transition, address climate-related risk, and explore green finance opportunities. In recognition of this, the Chartered Banker Institute has recently launched the world's first benchmark qualification for green finance.

The Green Finance Certificate provides learners with a comprehensive overview and understanding of the climate science underpinning the transition to a low carbon world, green finance principles and practice, risk management and green finance products and services. It also highlights how organisations and individuals can take an active role in supporting the transition to a low-carbon economy.

Ethics and Professionalism – Global Co-operation

Whilst supporting the transition to a low-carbon world can help reconnect banks and society at a macro level, and a more personal level, I am also of the opinion that if we are to restore trust in banking, then professional standards will need to remain a key priority over the next decade. It is our strong belief that the need for a customer and client-focused, ethical and professional approach to banking has never really changed. Yet I think it is fair to say that, in the 1990s and 2000s, in at least some countries ethics and professionalism were not as central to our industry's thinking as they should have been.

We have gone from a time when banks and bankers were one of the most trusted of professions and institutions to a point where - via the global financial crisis of 2007/8, LIBOR and other benchmark fixing scandals, PPI and interest swap miss-selling, money laundering, tax evasion, foreign exchange rate manipulation and other high-profile banking investigations in the UK, US and in many parts of the world – banking is now one of the least trusted industries of those measured by the Edelman Trust Barometer. These are not UK and US problems alone, however. Many countries have had their versions of Lehman Brothers or Northern Rock; and at the time of writing the Royal Commission on Banking seems to be uncovering new cases in Australia.

Over the past decade, there has been a great deal of talk about global standards for banks as institutions – but, I would like to see us place more emphasis in the next decade on global standards for bankers as individuals. The post-crisis regulatory focus on banking's financial capital was understandable. What is still missing – at least until very recently – has been an equally vigorous pursuit of global standards to enhance and sustain banking's human capital and its essential professionalism.

Over the next decade, therefore, I would like to see global regulators and other bodies such as the Bank for International Settlements, the Financial Stability Board and the G20, together with national regulators, promoting and supporting the development of global standards of culture and behavior to enrich our industry's human capital, alongside the standards being imposed to strengthen banking's financial capital. We should strive for international consensus, founded on a genuine, global commitment, in which all banks and bankers put principles of stewardship, prudence and professionalism first.

Together with the Indian Institute of Banking and Finance, and twenty other leading, global banking institutes, we helped develop and launch the Global Banking Education Standards Board's (GBEStB), therefore, which brings the global banking profession to facilitate the development of high-quality and consistent banking education worldwide. The GBEStB's first education standard - Ethics Education and Training for Professional Bankers – was published earlier this year and sets out the expectations of and guidance for GBEStB member bodies in terms of general recommendations, and recommendations for the content, delivery and assessment of ethics education programmes for professional bankers. As Chair of the GBEStB's Education Standards Committee, I believe that promoting a more consistent approach to the ethics education of professional bankers worldwide should help develop a strong and consistent culture of customer and client-focused, ethical professionalism in banking, and contribute to improving financial stability.

I expect that co-operation between professional bodies and institutes around the world will continue to deepen in the years ahead, helping to facilitate the movement of qualified banking professionals around the world. In this regard, the Mutual Recognition Agreement between the Chartered Banker Institute and the Indian Institute of Banking and Finance, signed in 2017, provides a model for many similar agreements to come. Our two bodies have agreed to align our qualification frameworks to provide mutual recognition for members wherever possible, facilitating easier movement of qualified bankers between India, the UK and the rest of the world. Certified Associates of the Indian Institute of Bankers can apply to become Chartered Bankers via a simple, "top up" route and I hope that, in celebration of the 90th Anniversary of the Indian Institute of Banking and Finance and the growing links between our two bodies, many will do so. ☯