

25<sup>th</sup> May 2009

Sir David Walker  
Chairman  
Review of Corporate Governance of the UK Banking Industry  
HM Treasury  
1 Horse Guards Road  
London SW1A 2HQ

## **Review of Corporate Governance of the UK Banking Industry**

Dear Sir David,

I am writing to you on behalf of the Chartered Institute of Bankers in Scotland (CIOBS), the oldest banking institute in the world and the only institute now dedicated to the professional education of bankers in the UK. We are the only body in the world to award the flagship “Chartered Banker” designation to our members.

As an educational body rather than a trade association, CIOBS rarely comments on industry issues. Given the remit of your review, and in particular your investigation of the balance of skills, experience and independence required on the boards of UK banks, I believe we may be able to contribute by sharing our views on this issue with you.

We intend to respond more fully to the consultation paper to be released this summer after discussing the contents of that paper with our members. In brief, however, we believe that boards should contain a greater proportion of “qualified bankers,” able to demonstrate the ethical, professional and technical competence required to support and challenge the senior executive team. This will we believe, help ensure better decision-making and risk management, and in turn protect the interests of stakeholders including the general public.

We do not believe that all senior bankers (executive or non-executive) should necessarily hold banking qualifications, but we do believe that all bankers, particularly at a senior level, should share a commitment to professionalism that sets the appropriate “tone from the top.” Board members, together with senior executives, are responsible for establishing and maintaining the culture of an organization, and we would like to see much greater emphasis placed on developing an ethical and professional culture across the industry.

We also believe that all senior bankers, including non-executive directors should commit to a programme of continued learning to develop and demonstrate the expertise required to lead highly complex financial services organizations. The content of such programmes will vary over time and according to the needs of each institution, but we would expect as a minimum that non-executive directors would:



- Develop their ability to understand and challenge their organization's business model(s);
- Develop a working knowledge of capital and liquidity management;
- Demonstrate an in-depth understanding of risk management;
- Demonstrate a good understanding of applicable regulatory frameworks, and of corporate governance; and
- Demonstrate the ability to apply ethical decision-making and sound professional judgment.

We also believe that regulators should be more overt in their support for professional qualifications in the banking sector. Whilst – as noted above – we do not believe that all senior bankers need to hold such qualifications, there is currently little encouragement by regulators for individuals and organizations to pursue these.

The Turner Review is helpful to an extent, in setting out the need for Approved Persons to demonstrate technical skills as well as probity. One of the best ways in which technical expertise and probity may be developed and demonstrated is through a professional banking qualification. We would, therefore, like to see regulators encourage and support individuals and organizations in gaining relevant, professional qualifications.

I hope you will find our views of interest and of help to you in conducting your review. My colleagues and I at the Institute will be delighted to engage with you further as your review proceeds, and look forward to studying your recommendations in due course.

Yours sincerely,

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

Simon Thompson  
Chief Executive  
The Chartered Institute of Bankers in Scotland