

Institution: University of Leeds		
Unit of Assessment: 30 – Philosophy		
Title of case study: <i>The Ethics of Banking: Enhancing Professional Ethics in Banking and Professional Bodies in Financial Services</i>		
Period when the underpinning research was undertaken: 2002-2019		
Details of staff conducting the underpinning research from the submitting unit:		
Name(s):	Role(s) (e.g. job title):	Period(s) employed by the submitting HEI:
Christopher Megone	Professor of Inter-Disciplinary Applied Ethics	1991-present
Jim Baxter	Professional Ethics Consultancy Manager	2009-present
Period when the claimed impact occurred: 2016-2019		
Is this case study continued from a case study submitted in 2014? No		
1. Summary of the impact (indicative maximum 100 words)		
<p>Research on professionalism by Professor Chris Megone and Dr Jim Baxter of the Inter-disciplinary Ethics Applied Centre (IDEA) provided the foundation from which the Banking Standards Board (BSB) implemented a much-needed culture change within the British financial sector, to regain public trust and legitimacy.</p> <p>The BSB is a private sector body, funded by membership subscriptions, to offer critical scrutiny and support for the sector. Megone and Baxter's work with BSB re-framed the role of professional bodies and professional qualifications within the sector.</p> <p>There are two main impacts:</p> <ul style="list-style-type: none"> I) The production of independent national guidance on high standards of professionalism and ethical behaviour; II) Shaping the ethical component of professional development and education across the sector. 		
2. Underpinning research (indicative maximum 500 words)		
<p>Drawing upon Aristotle's <i>Nicomachean Ethics</i> and contemporary debates about integrity, Megone 'outlined a conception of integrity relating it to the unity of the virtues and to happiness as a feature of a whole life.</p> <p>The virtuous person, motivated by consistently held values, applied throughout the various parts of their life, can be contrasted with that of a person who compartmentalises those parts, each with their own norms of behaviour. Using these philosophical tools, he argued that although one prominent conception of the purpose of business states that a virtuous life coheres with good business, it is possible for an individual to separate a virtuous personal life from their business activity. Megone suggested that this misconception of the relation of business to ethics may have played some part in some of the decisions that led to the 2008 financial crisis.' (1, 2, 5, 6)</p> <p>Researching Real Integrity</p> <p><i>The Real Integrity Project</i> (2012) researched how organisations can encourage integrity.</p> <p>A collaboration between Baxter and Megone, and Elizabeth Higgs (Ethics and Integrity Manager) of the Institute of Chartered Accountants in England and Wales (ICAEW), the project combined an online survey with nearly 1,500 respondents, interviews with 94 employees in a wide range of organisations, and an investigation into the philosophical literature, to gain practical insights into steps which organisations can take to promote integrity. They produced <i>Real Integrity: Practical Solutions for Organisations Seeking to Promote and Encourage Integrity Report</i> (4).</p> <p>BSB and Professionalism within British financial services</p> <p>The Banking Standards Board (BSB), commissioned Baxter and Megone to investigate the possible role for professional bodies in raising levels of ethical behaviour and technical competence within the banking and building society sector.</p>		

Speaking to representatives of professional bodies, and leaders in banks and building societies, they investigated the role that professional bodies play now, how they are perceived in the industry, and whether there is an appetite for them to play a greater role in future.

The Report – *Exploring the Role of Professional Bodies and Professional Qualifications in the UK Banking Sector* (3) – concluded that professional bodies could play a central role in raising levels of competence and promoting ethical behaviour in the banking sector. It identified five key cross-sector challenges to address, to fulfil that potential:

1. The low profile of professional bodies within banking;
2. The need to establish banking qualifications, or a tiered framework of qualifications, recognised to give a thorough grounding in the fundamentals of banking;
3. A fragmented professional body sector, including fragmentation in qualifications and a lack of clear pathways and links to career progression within firms;
4. Banks and building societies have a ‘customer and supplier’ relationship with professional bodies, rather than as partners forming a ‘community of interest’;
5. The lack of a recognised and clearly defined role for professional bodies beyond the providing qualifications.

Baxter and **Megone** argue that the focus should be on which elements of professionalisation – structures, institutions, approaches and ways of thinking – are likely to be effective in transforming the banking sector (3).

3. References to the research (indicative maximum of six references)

- 1) C. **Megone** (2019) ‘Aristotelian Lessons after the Financial Crisis: Banking, responsibility, culture and professional bodies,’ in C. Cowton, J. Dempsey & T. Sorell (eds), *Business Ethics after the Global Financial Crisis: Lessons from the crash*. London: Routledge, pp. 87-105.
- 2) D. H. Born & C. **Megone** (2019) ‘Character and Leadership: Ancient Wisdom for the 21st Century.’ *Journal of Character and Leadership Development* 6:1 (2019), pp. 68-87. <https://jcli.scholasticahq.com/article/7524-character-and-leadership-ancient-wisdom-for-the-21st-century>.
- 3) J. **Baxter** & C. **Megone** (2016) *Exploring the Role of Professional Bodies and Professional Qualifications in the UK Banking Sector*. London: Banking Standards Board. <https://www.bankingstandardsboard.org.uk/wp-content/uploads/2016/10/160928-Professionalism-in-banking-publication-FINAL-WEB.pdf>. Commissioned & published by BSB; 111 pp.
- 4) J. **Baxter**, J. Demsey, C. **Megone** & J. Lee (2012, reprinted 2018) *Real Integrity: Practical solutions for organisations seeking to promote and encourage integrity*. London: Chartered Accountants’ Trustees Limited. <https://www.icaew.com/-/media/corporate/files/technical/ethics/real-integrity-full-report.ashx>. Commissioned & published by ICAEW; 94 pp.
- 5) C. **Megone** (2009) ‘Integrity, Virtue and the Financial Crisis,’ in S. Gregg & J. Stoner (eds), *Profit, Prudence and Virtue: Essays in Ethics, Business and Management*. Exeter: Imprint Academic/St Andrews Studies in Philosophy and Public Affairs, pp. 195-210.
- 6) C. **Megone** (2002) ‘The Use of Case Histories in Business Ethics,’ in C. **Megone** & S. J. Robinson, *Case Histories in Business Ethics: Virtues and moral decision making in business*. London: Routledge, pp. 161-74. Simultaneously published in hardback and paperback. Returned in RAE2008 and as Reference to Research in REF2014.

4. Details of the impact (indicative maximum 750 words)

The 2007/8 global financial crisis damaged the legitimacy of the British banking sector and trust was at an all-time low. Alongside regulation of the sector, there was an urgent need for banks and building societies to develop professional standards to help restore public support.

The Banking Standards Board (BSB) was set up in 2015 to re-build trust in the sector following the Parliamentary Commission on Banking Standards’ findings (2013) and the Lambert Review (2014). The enthusiastic reception and wide implementation of **Megone** and **Baxter’s** earlier

research and work with The Institute of Chartered Accountants in England and Wales (ICAEW), *Real Integrity* (2012) (4), prompted BSB to commission **IDEA** to undertake similar research about the potential role/s that the sector's diverse professional bodies and their related professional qualifications might play in transforming the sector.

The Parliamentary Commission on Banking Standards had identified professionalism as a key challenge for the sector. The report, **Baxter** and **Megone's** ongoing collaboration with BSB, and their bespoke work for a number of professional bodies and individual banks, has led to two main impacts:

- I) The production of independent national guidance on standards of professionalism and ethical behaviour reflecting the needs of a highly complex sector;
- II) Shaping the ethical component of professional development and education across the sector.

I) The Banking Standards Board, National Guidance and embedding ethics in banking cultures

When published in 2016, BSB publicly recognised **Megone** and **Baxter's** report, *Exploring the Role of Professional Bodies and Professional Qualifications in the UK Banking Sector* (3), as vital to its mission, and issued statements highlighting their findings (A, B). BSB emphasised that *"we cannot – nor do we wish to – mandate a particular course of action. But we can help the sector plot a new course. The research has been an important step. It has identified how and why the status quo is not working for all involved"*, (A) and, *"Today's report makes clear what needs to be done to strengthen professionalism in the sector. It will take collaboration and determination from all sides to tackle these challenges but the new accountability regimes present a unique opportunity for the industry and professional bodies to raise the bar on behaviour and improve outcomes for customers."* (B).

A financial expert and member of the BSB steering group on professionalism highlighted, *"This work, commissioned by the Banking Standards Board, is an important catalyst for increasing the role of professionalism in banking."* (B) The report was subsequently launched to banks and building societies at Barclays in Canary Wharf and to professional bodies at BSB's London base. It was embraced by key figures in the financial sector, including the Executive Vice President and Chairman of BNY Mellon: *"I welcome the work the BSB and the University of Leeds have done to lay out these challenges. At the end of the day, this is about continually improving the service we provide to clients and customers. It is in the whole industry's interest to work more closely with the professional bodies to develop and retain the best people and aim for the highest standards of service."* (B) **Baxter** and **Megone's** research has subsequently been discussed in the financial media, for example, *Reuters* (09.05.2017) and *The Financial Times* (12.03.2018; 1 million paying readership at 01.04.2019) (C).

Baxter and **Megone's** report enabled BSB to develop and pursue ways of reinvigorating and strengthening the role of the sector's professional bodies in creating a more ethical and trustworthy banking culture. Its first step was to set up a strategic Professionalism Working Group, of which **Baxter** and **Megone** are members, plus a wider Professionalism Forum in April 2017 (D, E). Developed from the year-long discussions of the Forum and the Working Group, in 2018 BSB published *BSB Statement of Principles for Strengthening Professionalism – The role of the firm*, a practical blueprint that challenges firms to make a strategic commitment to strengthening professionalism across their organisations (E). The banking sector is complex, comprising a diverse range of organisations, so a key factor in fostering cultural change is to recognise that there is no single good culture of banking, and to develop strategies accordingly. Informed by **Megone** and **Baxter's** expertise, BSB's *Statement of Principles* does this. Further, linking back to **Baxter** and **Megone's** five key challenges (3) 'Principle 4: Learning' recognised the need for *"Establishing and maintaining strong relationships with relevant external bodies (e.g. professional bodies, standards setters and qualifications providers) to ensure that learning frameworks and standards meet current and future needs"*; *"Making effective use, as appropriate, of formal training (such as initial and continuing professional development, including professional qualifications and standards)"*; and *"Supporting those individuals with specific CPD requirements set by a professional body"* (E).

Megone and **Baxter's** work has contributed to significant industry events, such as two *Financial Times* Conferences, with **Megone** an invited panellist at *Changing Business Behaviour for the Better* (27.04.2017), presenting alongside representatives of organisations such as the Royal Bank of Scotland Group, the Federal Reserve Bank of New York and the State Bank of India, with between 250 and 500 delegates from across the world in attendance (F). Additionally, their report led directly to BSB hosting an event on Professionalism in Banking, featuring the Lord Chief Justice, the Governor of the Bank of England and the Chair of the Federal Reserve as speakers.

Prompted by **Megone** and **Baxter's** report BSB has encouraged “*sustained investment in formal training and professional development and strong relationships with professional bodies,*” (C) with **Baxter** and **Megone** playing a crucial role in developing the resources for CPD and professional qualifications, outlined in the next section.

II) Shaping ethical bankers through professional qualifications

Baxter and **Megone** have worked directly with a number of financial sector professional bodies, creating and tailoring specific training programmes and CPD modules with each. Most notable are the Chartered Banker Institute (CBI), the sector's oldest and largest professional body (“*with more than 30,000 members*” from “*over 100 countries worldwide*” (G)), CFA Institute (Chartered Financial Analysts), CISI (the Chartered Institute for Securities & Investment) and IFoA (The Institute and Faculty of Actuaries).

Baxter and **Megone** worked with CBI to transform its professional qualifications and education: they developed both a new online toolkit about ethics, culture and conduct and an online ethics assessment, produced an interactive study guide for students of its *Professionalism and Ethics* module, “*a compulsory module required to attain [CBI's] Advanced Diploma in Banking and Leadership in a Digital Age*”, as well as creating bespoke CPD materials for individual banks (G). CBI's Head of Learning and Assessment observed: “*Collaborating with IDEA to deliver learning content has improved our engagement with members and students around ethics*”. They highlighted how, “*The content isn't just about theory, rather it helps our members think about the theory and apply it to the often complex ethical issues faced in banking today, striking an appropriate balance between theory and practice*”. (G)

The *Professionalism and Ethics* module is a compulsory component of CBI's flagship Diploma, its highest-level qualification and the key route to becoming a full member: CBI is “*the only organisation in the world approved by the UK's Privy Council to award the prestigious Chartered Banker designation to qualified members*” (G). **Baxter** collaborated with CBI on the module, creating the content and learning activities, as well as supporting CBI “*in developing the syllabus, online knowledge checks and the summative assessment in the form of an assignment*” (G). By 31 December 2020, since its launch in October 2018, 277 students have completed the module, with an average pass mark of 70% for both years. A further 205 students are actively enrolled and currently studying the module. Students are drawn from the UK, Hong Kong, Malta, Mauritius, Qatar and United Arab Emirates (H). CBI's Head of Learning and Assessment noted the “*maintenance of the high average mark,*” which, they believe is “*due in the main to the quality of the learning materials which IDEA produced*” (G).

The online toolkit of CPD resources for CBI members, which **Baxter** developed, comprises six Discovery Sessions, including ‘Introduction to Ethics and Ethical Reasoning’, ‘Introduction to Professionalism’, ‘Codes of Conduct’ and ‘Building a Culture of Integrity’, plus two Self-Assessments. From October 2016 to December 2020, these resources were accessed 4,364 times by CBI members. (H). Additionally, **Baxter** created a bespoke CPD programme for The Royal Bank of Scotland (RBS). In its third year (2020), 8,045 RBS employees completed the Ethical Assessment (an “*annual requirement*” (G)), while 8,186 completed the ‘Ethical Dilemma – Holding Back,’ 8,247 the ‘Ethical Dilemma – Duty of Confidentiality,’ 8,217 the ‘Discovery Session – Professionalism & Ethics in Banking’ and 8,151 the ‘Discovery Session – Ethics & Technology in Banking’ (H). In 2019, 7,782 members of staff completed the Ethics Assessment. Feedback has been very favourable from RBS employees, as highlighted by CBI: “*Over the two years [2019 and 2020], those who completed the evaluation survey asking about the extent of relevance to role (on a scale of 1 to 10), reported on average a score of 8.5 which demonstrates*

the value of the assessment and how useful it is to banking professionals on the front line” (G; the 2020 evaluation survey had 1,738 respondents, 64% of whom gave full marks, (H)).

Whilst the primary impact of **Baxter** and **Megone’s** work has been within a UK context, their activities and tools are also reaching a significant and increasing international audience. FINSIA (Financial Services Institute of Australasia), a not-for-profit membership association for financial services professionals in Australia and New Zealand, has since adapted the content of CBI’s *Professional and Ethics* module for use in Australasia. This has been verified by **IDEA** (G). As such, both existing members of the financial sector and newcomers to banking, in Britain, Australia and New Zealand, are being professionalised via **Baxter** and **Megone’s** research and resources. Further, the Institute for Global Financial Integrity (TIGFI; from 2019 The Institute for Financial Integrity and Sustainability (IFIS)) included their report, *Exploring the Role of Professional Bodies and Professional Qualifications in the UK Banking Sector* (3), in its 2018 list of publications “deemed to be of particular interest and significance in the support and promotion of professional excellence, ethics and integrity in the global financial sector.” (I)

5. Sources to corroborate the impact (indicative maximum of 10 references)

- A) Chairman of BSB, ‘Dame Colette Bowe talks on professionalism in banking’ (transcript from a speech at a CSFI event on 04.10.2016) (06.10.2016). <https://www.bankingstandardsboard.org.uk/dame-colette-bowe-talks-on-professionalism-in-banking/> (accessed 05.01.2021).
- B) Composite piece of evidence, comprising statements by the Chairman of BSB; a Professor of Organisational Behaviour at Cass Business School, City University London and member of the BSB’s steering group on professionalism; and the Executive Vice President and Chairman BNY Mellon. All cited in BSB’s press release, ‘Independent report highlights potential for professional bodies to play a greater role in banking’ (03.10.2016). <https://www.bankingstandardsboard.org.uk/independent-report-highlights-potential-for-professional-bodies-to-play-a-greater-role-in-banking/> (accessed 05.01.2021).
- C) Composite piece of evidence, comprising three financial media articles. Henry Engler, ‘Top U.S. regulator looks abroad for measurement tools on conduct, culture battle’, *Reuters* (cites *BSB Annual Review 2016/17*, which quotes Baxter and Megone’s report) (09.05.2017). <https://www.reuters.com/article/bc-finreg-compliance-culture-idUSKBN1842G7> (accessed 05.01.2021); Brendan Barber (deputy chairman of BSB), ‘Bankers need higher professional standards to regain trust,’ plus embedded audio interview on *Banking Weekly* with Patrick Jenkins (6.50-12.56mins), *Financial Times* (12.03.2018); plus, Martin Arnold, ‘Banking sector report yields more questions’, *Financial Times* (08.03.2016), p. 4. PDF available from UoL as *FT* requires subscription.
- D) *BSB, ‘Professionalism Forum’ (23.05.2017). <https://www.bankingstandardsboard.org.uk/events/professionalism-forum/> (accessed 05.01.2021). (University of Leeds IDEA CETL appears on p.3.)
- E) BSB, ‘Banking Standards Board challenges banks and building societies to promote high standards of professionalism’ (12.03.2018). <https://www.bankingstandardsboard.org.uk/9238-2/> (accessed 05.01.2021); BSB, ‘BSB Statement of Principles for Strengthening Professionalism’ (12.03.2018). <https://bankingstandardsboard.org.uk/bsb-statement-of-principles-for-strengthening-professionalism/> (accessed 13.01.2021).
- F) *FT Banking Standards Conference: Changing Business Behaviour for the Better* (London, 27.04.17). <https://live.ft.com/Events/2017/FT-Banking-Standards-Conference> (accessed 04.08.20). Available in PDF from UoL.
- G) *Head of Learning and Assessment, CBI, Letter of Support (January 2021).
- H) CPD Data provided by Continuing Professional Development (CPD) Manager & Head of Qualification Development, CBI, email correspondence (11.06.2019 – 12.01.2021).
- I) The Institute of Global Financial Integrity (TIGFI; from 2019 The Institute for Financial Integrity and Sustainability (IFIS)) reports page (26.08.2018). <https://web.archive.org/web/20180826233415/http://www.tigfi.org/index.php/news/reports> (accessed 05.01.2021).