

STATEMENT OF GOOD PRACTICE 1

CERTIFICATION REGIME:  
FITNESS AND PROPRIETY ASSESSMENT PRINCIPLES

28 February 2017

## About this guidance

This Statement of Good Practice is intended to help firms implement the Certification Regime effectively, by providing a high-level set of principles relating to the assessment of fitness and propriety (F&P).

It should be read in conjunction with the the Banking Standards Board's (BSB's) *Supporting Guidance to Statement of Good Practice 1 on the Certification Regime: Fitness and Propriety Definitions, Sources of Information and Assessment Record Template*, published alongside this document.

### Status of this document

The BSB's Statements of Good Practice are living documents and are kept under review. Please contact [certification@bankingstandardsboard.org.uk](mailto:certification@bankingstandardsboard.org.uk) if you have any comments or queries regarding this Statement.

BSB good practice guidance allows member firms and others in the sector to reference their own policies and procedures against a statement of what 'good' looks like. It is developed in partnership with BSB members and represents a pooling of knowledge and experience. It does not impose any legal or regulatory obligations on BSB members, nor does it replace regulation. In the event of inconsistency, applicable laws, rules and regulations prevail.

There are two elements to BSB good practice guidance: an overarching Statement of Good Practice sets out high level principles of good practice for a particular area; and Supporting Guidance then explains these high level principles in more detail.

A suite of Supporting Guidance is being developed to sit beneath this Statement of Good Practice. The BSB plans to develop further good practice guidance on topics including:

- identifying and evaluating risks and issues related to certification i.e. circumstances which, should they materialise, could call into question whether an individual is fit and proper to perform their role;
- assessing the F&P of individuals working outside the UK or moving to the UK from overseas; and
- factors to consider when sharing information about certified individuals when they move between firms (linked to recent requirements for firms to provide 'regulatory references').

Further good practice guidance is in development or will be developed in discussion with our Certification Regime Working Group (CRWG) and will be published on our website when ready.

## Terminology used in this guidance

### Certification risks and issues

In this document, a 'certification risk' is defined as a situation which, should it materialise, could call into question an individual's F&P.

A 'certification issue' is defined as a situation that has materialised and is calling into question an individual's F&P.

## Types of assessment

In developing our F&P Assessment Principles, several different reasons for undertaking an assessment of F&P were identified. We have characterised these as:

- to enable an individual to take up a certified role either on joining the firm or following internal transfer ('New role assessment');
- annually for the purposes of reissuing a certificate ('Annual assessment');
- in response to another event such as the outcome of a disciplinary proceeding, that generates a certification issue ('Triggered assessment'); and
- in-year to monitor the F&P of an employee at a shorter interval than 12 months where a certification risk or issue has been identified ('In-year assessment').

Our *Supporting Guidance Certification Regime: Fitness and Propriety Definitions, Sources of Information and Assessment Record Template* contains further explanation of these.

## Screening checks

Screening checks (sometimes referred to as 'vetting') refer to information obtained externally from the firm or individual, such as a credit reference check or Disclosure and Barring Service (DBS) checks. Our *Supporting Guidance Certification Regime: Fitness and Propriety Definitions, Sources of Information and Assessment Record Template* contains further information on these.

## Fitness and Propriety Assessment Principles

### Principle 1: New role assessment

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A firm should:

- carry out a robust F&P assessment of a person new to a certified role, using appropriate sources of information, against the individual elements of F&P (i.e. honesty and integrity, reputation, competence and capability, and financial soundness) as required by the Certification Regime. The new role assessment should be managed through:
  - the recruitment process,
  - screening checks,
  - regulatory references,
  - training and induction programmes, and
  - both self-declaration (retrospective) and a commitment to uphold high standards of behaviour and competence (forward looking) by the individual;
- include positive affirmation (i.e. that good behaviour has been demonstrated) when assessing F&P, rather than focus solely on the avoidance of negative behaviour (i.e. that an individual has avoided any transgressions); and
- consider the time and support needed for an individual who is new to or returning to a certified role to attain full competence for that role, and define the ways in which the competence can be demonstrated. This may involve considering the need for an in-year assessment.

### Principle 2: Frequency and extent of reassessment

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A firm should:

- determine how frequently different sources of information should be gathered to inform the different F&P elements of annual assessments;
- ensure the process for assessing F&P aligns with existing processes (e.g. disciplinary and performance management) and can both take account of and reflect information generated by these processes in a timely way;
- determine the circumstances that may lead to a requirement for a triggered or in-year assessment of F&P to be conducted; and
- use appropriate sources of information in conducting triggered and in-year assessments.

### Principle 3: Firms' responsibility

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A firm should:

- take responsibility for the verification and assessment of the information obtained about an individual's F&P, including:
  - identifying those responsible for assessing F&P at different stages of the process;
  - ensuring those responsible for the F&P assessment are competent and capable to assess each of the F&P elements;
  - ensuring there are processes in place to enable information obtained about an individual's F&P to be verified where necessary; and

- ensuring there is an appropriate level of supervision and support for those responsible for the F&P assessment to limit bias and avoid any potential conflicts of interest. This should include developing a process for reviewing evidence resulting from an investigation into an F&P issue, to ensure that a fair and reasonable approach is taken in evaluating a particular case;
- take responsibility for ensuring that individuals are aware of the need to provide, as appropriate and in a timely manner, the information that allows a firm to assess and verify their own F&P; and
- take responsibility for encouraging individuals to demonstrate a commitment to upholding high standards of behaviour and competence in such form as may be required by the firm.

#### **Principle 4: Establishing pass/fail criteria**

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A firm should:

- consider and be clear on the tolerances that are acceptable when assessing F&P including:
  - identifying potential individual characteristics or circumstances that may call into question an individual's F&P;
  - identifying whether there are certain roles or responsibilities where there is greater risk of a certification issue emerging;
  - determining what self-declarations may be required and when; and
  - determining what screening checks will be applied and when;
- develop a rounded approach using a range of different sources of information to conduct an F&P assessment in line with the firm's risk tolerance, code of conduct and other employee policies;
- have a clear process for investigating certification issues, so that a fair and reasonable approach is taken to gathering all of the evidence for a particular case, and dealing with the circumstances where someone leaves the firm while under investigation (including what information may need to be recorded for a regulatory reference);
- ensure a structured framework and/or agreed policy is in place for individuals for whom the F&P assessment highlights a development or remediation need; and
- ensure there is a framework in place to evaluate the significance of information that may call into question an individual's F&P.

#### **Principle 5: Evidencing the F&P assessment**

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A firm should:

- hold a consolidated record of the sources of information or tools used in an F&P assessment;
- ensure that the responsible individual (e.g. line manager) adequately records his or her judgement of F&P at least annually and (as relevant) any positive or less serious negative behaviours (e.g. below the level that would indicate a triggered or in-year assessment) that might be relevant to subsequent F&P assessments; and
- ensure it has an appropriate system for logging and tracking certification issues at a firm level and maintain a learning log to inform the continuing development of good practice.

## Principle 6: Training and communication around the F&P assessment

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A firm should:

- consider the support required by those assessing F&P by:
  - ensuring appropriate training for those responsible for the F&P assessment (including the evaluation of the significance of F&P issues that reflect negatively on the individual) and ensuring that this training is undertaken and refreshed on a periodic basis;
  - providing guidance and training for line managers on the identification of certification risks and issues as part of performance management; and
  - developing appropriate training for line managers on discussing the outcome of an F&P assessment with the individual concerned;
- consider the support required by individuals having their F&P assessed, by:
  - developing appropriate training, guidance and support in relation to an individual's self-declarations, including the type of information that may need to be self-disclosed;
  - developing appropriate training and/or communication as an ongoing reminder of an individual's responsibilities around the F&P assessment; and
  - establishing an appropriate process for an individual to discuss the outcome of their F&P assessment with an individual who has responsibility for the assessment;
- establish appropriate guidance and training for all relevant employees to enable them to identify and recognise what constitutes a certification risk and issue, and to raise concerns where appropriate; and
- consider whether there is a need for tailored training and guidance in identifying certification risks or issues and to initiate the appropriate action as necessary for particular business functions (e.g. Compliance, HR or Internal Audit).

## Principle 7: Appealing the outcome of an F&P assessment and the withdrawal of a certificate

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A firm should:

- establish a process for the independent review of the outcome of an F&P assessment;
- develop a clear appeals process against the conclusion of the F&P assessment;
- ensure that any appeal against the conclusion of the F&P assessment is aligned with other relevant business processes (e.g. an appeal against a disciplinary finding or performance management process); and
- consider what process, control or oversight improvements might need to be in place where an F&P issue is identified and how any broader learnings are communicated around the firm.

## Principle 8: Assessing F&P as part of a global group

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A firm should:

- aim to have high and consistent standards across the global group for assessing an individual's F&P;

- develop an approach for conducting F&P assessments of relevant individuals overseas that reflects what is permitted by local jurisdictions;
- identify and use appropriate overseas equivalent sources of information for each element of F&P, as required by the Certification Regime; and
- develop appropriate processes for assessing the F&P of internationally mobile individuals.

### **Principle 9: Fostering a culture of openness, challenge and support**

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A firm should:

- promote an environment in which individuals are confident to speak up and actively challenge the behaviour of colleagues;
- ensure that Senior Managers lead by example in fostering and supporting a culture of openness, challenge and support;
- develop appropriate procedures to support individuals and encourage them to disclose any issues in a timely manner; and
- develop and implement a performance management process that assesses a broad range of dimensions, consistent with the firm's purpose and values, and with high standards of behaviour and competence.

### **Principle 10: Promoting greater collaboration between firms**

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Firms should:

- identify opportunities to collaborate in order to develop a common approach to certification; and
- work together to develop a consistent approach to the assessment, reporting, recording and communication of F&P, so that each firm can recognise and have confidence in another's assessment.

### **Principle 11: Promoting high professional standards across the industry**

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A firm should:

- invest in the personal development of:
  - staff in certified roles;
  - staff who have the potential to occupy certified roles in the future; and
  - staff supporting the certification process;
- ensure that staff maintain their own Continuous Professional Development (CPD) and that development is supported outside their day-to-day role through, as appropriate:
  - skills-based training;
  - role-based knowledge training;
  - knowledge of the banking and broader financial services sectors; and
  - ethics awareness and training.

## Background to the development of the F&P Assessment Principles

### Principle 1: New role assessment

Principle	Background to development
<p>A firm should:</p> <ul style="list-style-type: none"> <li>• carry out a robust F&amp;P assessment of a person new to a certified role, using appropriate sources of information, against the individual elements of F&amp;P (i.e. honesty and integrity, reputation, competence and capability, and financial soundness) as required by the Certification Regime. The new role assessment should be managed through:               <ul style="list-style-type: none"> <li>– the recruitment process;</li> <li>– screening checks;</li> <li>– regulatory references;</li> <li>– training and induction programmes; and</li> <li>– both self-declaration (retrospective) and a commitment to uphold high standards of behaviour and competence (forward looking) by the individual;</li> </ul> </li> </ul>	<p>From discussions within the Certification Regime Working Group (CRWG) and responses to the consultation it became clear that there is not a ‘one size fits all’ solution to undertaking an assessment. Rather, the types of information that will be used in an assessment will vary according to the reason for the assessment (i.e. new role assessment, annual assessment, triggered assessment or in-year assessment).</p> <p>The CRWG recognised that firms will need to adapt their assessment to the given circumstances. As, however, all individuals will be subject to a new role assessment upon taking up a new certified role, a number of broad sources of information were identified for this type of assessment:</p> <ul style="list-style-type: none"> <li>• the recruitment process (e.g. the use of interview notes, assessment results and rationale for hiring);</li> <li>• screening checks (e.g. criminal record checks, credit checks and qualification validation);</li> <li>• regulatory reference, where an individual moves from a role in one firm to a certified role in another firm;</li> <li>• training and induction programmes relevant to the requirements of the roles (e.g. experienced recruits who are required to complete courses before certification); and</li> <li>• self-declarations (retrospective and forward looking) that help to engage the individual within the process, provide an opportunity for disclosure of pertinent information (e.g. financial difficulties or a relevant internal relationship) and that engage and maintain awareness of the concept of F&amp;P.</li> </ul>



## Principle

- include positive affirmation (i.e. that good behaviour has been demonstrated) when assessing F&P, rather than focus solely on the avoidance of negative behaviour (i.e. that an individual has avoided any transgressions); and

## Background to development

The CRWG discussions reinforced the value of positive affirmation when assessing F&P (recognising where an individual has demonstrated good behaviour rather than solely focusing on the avoidance of negative behaviour).

The use of positive affirmation is consistent with firms focusing not simply on meeting the minimum requirements of the Certification Regime, but on identifying good practice to support high standards across the industry.

Both the CRWG and consultation responses noted that positive affirmation is relevant when looking at honesty and integrity, reputation, and competence and capability.

Positive affirmation is not, however, as relevant when assessing financial soundness, given that the focus of this area is on ensuring that an individual's financial situation does not lead them to compromise their professional and/or ethical conduct.

The consultation responses also noted that where there is an absence of positive information (on honesty and integrity, reputation, and competence and capability), this did not mean that the conclusion could be drawn that a person is not fit and proper for the role.

## Principle

- consider the time and support needed for an individual who is new to or returning to a certified role to attain full competence for that role, and define the ways in which the competence can be demonstrated. This may involve considering the need for an in-year assessment.

## Background to development

The CRWG highlighted the importance of ensuring adequate time to assess appropriately individuals who were new or returning to certified roles following a period of absence.

There was, for example, a concern about assessing F&P if an individual had not had enough exposure to a particular type of work, or exposure to a sufficient variety of work, in their first six months to demonstrate their competence fully.

Ultimately the certification decision is a binary one; an individual is either certified or not. The process used to assess F&P is, however, one that entails more discretion. There may be instances where a firm certifies an individual, but also initiates measures to remedy any required shortfalls. In this instance the firm may look to certify an individual and place them on a Performance Improvement Plan (PIP), involving closer supervision and potentially a subsequent in-year assessment. The topic of ongoing monitoring is explored in more detail in Principle 2.

The CRWG also discussed the circumstances of an individual returning to a role from long-term absence, (e.g. long-term sick leave, maternity/paternity leave or a sabbatical). In these instances, it is important that a firm:

- does not unfairly question an individual's F&P due to a legitimate absence;
- ensures any processes to reassess an individual are in line with employment law; and
- provides returning individuals with appropriate time and support, as required.

## Principle 2: Frequency and extent of reassessment

Principle	Background to development
<p>A firm should:</p> <ul style="list-style-type: none"> <li>determine how frequently different sources of information should be gathered to inform the different F&amp;P elements of annual assessments;</li> </ul>	<p>Firms are required to complete an assessment of individuals in certified roles at least annually. Beyond this, and similarly to Principle 1, there is not a definitive rule as to how frequently different sources of information should be gathered. A number of key considerations emerged, however, from discussions with the CRWG and the consultation responses.</p> <p>The frequency and extent of reassessment should be bespoke to the firm’s risk appetite, logistical constraints (e.g. resource) and the individual in the certified role – in relation to financial soundness, for example, some firms said that they required a self-declaration annually and repeated external checks, such as credit checks, every three years. Such checks could be undertaken more frequently for specific roles such as, those with close proximity to transaction decisions, privileged information or cash and settlement operations.</p> <p>The CRWG also discussed the role of ongoing monitoring as part of the F&amp;P assessment. It was noted that line managers could observe and record activity throughout the year, which might provide evidence of one or more elements of F&amp;P. It could, however, be disproportionately costly for firms to undertake external checks, such as criminal record checks, on a more regular basis.</p>
<ul style="list-style-type: none"> <li>ensure the process for assessing F&amp;P aligns with existing processes (e.g. disciplinary and performance management) and can both take account of and reflect information generated by these processes in a timely way;</li> </ul>	<p>The CRWG discussed the value of aligning the F&amp;P assessment process with existing processes. Members were clear about the need to ensure that a consistent approach was taken across the firm and that the processes were fair to the individual. There could also be a potential operational efficiency by ensuring that duplication of effort is minimised.</p> <p>Firms should approach this in a way that is appropriate to their organisation but may wish to consider, where possible, aligning the timing of the annual appraisal process (or of the outcome of a disciplinary process) with that of an F&amp;P assessment.</p>

## Principle

- determine the circumstances that may lead to a requirement for a triggered or in-year assessment of F&P to be conducted; and
- use appropriate sources of information in conducting triggered and in-year assessments.

## Background to development

Unforeseen events may necessitate reactive assessments such as triggered assessments (in response to another event, such as following a disciplinary outcome) or in-year assessments (where a certification risk has been identified, e.g. following the identification of a training requirement).

The CRWG did not draw up a list of circumstances that could lead to a triggered or in-year assessment, as it was felt this could be too prescriptive and would not cover every eventuality. Firms should determine what circumstances and sources of information are relevant based on the organisational risk appetite and the individual in question.

Further guidance on how to undertake these types of assessment can be found in our *Supporting Guidance Certification Regime: Fitness and Propriety Definitions, Sources of Information and Assessment Record Template*.

### Principle 3: Firms' responsibility

Principle	Background to development
<p>A firm should:</p> <ul style="list-style-type: none"> <li>• take responsibility for the verification and assessment of the information obtained about an individual's F&amp;P, including: <ul style="list-style-type: none"> <li>– identifying those responsible for assessing F&amp;P at different stages of the process;</li> <li>– ensuring those responsible for the F&amp;P assessment are competent and capable to assess each of the F&amp;P elements;</li> <li>– ensuring there are processes in place to enable information obtained about an individual's F&amp;P to be verified where necessary; and</li> <li>– ensuring there is an appropriate level of supervision and support for those responsible for the F&amp;P assessment to limit bias and avoid any potential conflicts of interest. This should include developing a process for reviewing evidence resulting from an investigation into an F&amp;P issue, to ensure that a fair and reasonable approach is taken in evaluating a particular case;</li> </ul> </li> </ul>	<p>Members of the CRWG noted that the individuals responsible for assessing F&amp;P will vary across different firms and may include (but will not be limited to) line managers, HR, Compliance or even those with Senior Manager Functions for ultimate approval.</p> <p>It is important that the firm determines who these people are, their specific roles or responsibilities within the assessment and, most importantly, that they are competent and capable to undertake an F&amp;P assessment. This is necessary in order to ensure a fair and consistent approach for all individuals within the Certification Regime and to minimise the risk of inconsistencies or error. Training is covered further in Principle 6.</p> <p>The CRWG also noted that the steps and decisions taken by the assessor should be clearly documented and that this should be appropriately reviewed to limit the level of bias and any potential conflicts of interest. Documentation and independent review are covered further in Principles 5 and 7 respectively.</p>

## Principle

- take responsibility for ensuring that individuals are aware of the need to provide, as appropriate and in a timely manner, the information that allows a firm to assess and verify their own F&P; and
- take responsibility for encouraging individuals to demonstrate a commitment to upholding high standards of behaviour and competence in such form as may be required by the firm.

## Background to development

The CRWG highlighted the importance of the firm supporting and engaging with the individual being assessed. Firms should ensure individuals are aware of the need to provide relevant information in a manner that supports an efficient process. Self-declaration is a particularly important tool in this context as it allows individuals to demonstrate that they are 'bought in' to the process and to disclose information that may be pertinent to the overall assessment. It also serves as a reminder of the individual's responsibility as a certified person to their firm, colleagues, customers and society.

## Principle 4: Establishing pass/fail criteria

Principle	Background to development
<p>A firm should:</p> <ul style="list-style-type: none"> <li>• consider and be clear on the tolerances that are acceptable when assessing F&amp;P including: <ul style="list-style-type: none"> <li>– identifying potential individual characteristics or circumstances that may call into question an individual’s F&amp;P;</li> <li>– identifying whether there are certain roles or responsibilities where there is greater risk of a certification issue emerging;</li> <li>– determining what self-declarations may be required and when; and</li> <li>– determining what screening checks will be applied and when;</li> </ul> </li> </ul>	<p>The topic of acceptable tolerance levels when assessing F&amp;P, and the development of standardised guidance on this, was of particular importance to the CRWG and respondents to the consultation.</p> <p>There is no rule for what constitutes an acceptable tolerance level. In line with other BSB Principles, firms will need to identify and standardise their tolerance levels in line with their own risk appetites and existing policies.</p> <p>The CRWG discussed the types of situations that could lead to questions about an individual’s F&amp;P (e.g. if an individual found themselves in financial difficulty or was placed on a PIP, what affect would/should that have on their F&amp;P assessment?). The CRWG also considered tolerance levels around the unintentional failure to disclose any matter relevant to F&amp;P, or failing to complete an attestation within the required timeframe.</p> <p>In line with Principles 3 and 6, there is also a requirement to ensure that assessors are sufficiently competent to recognise certification risks and/or issues related to tolerances. Firms may wish to provide training in this regard to ensure the consistent application and interpretation of guidance and process.</p> <p>It is our intention to look further into certification risks and issues and to produce guidance in this area. Consideration will also need to be given to potential complexities and issues relating to employment law.</p>

## Principle

- develop a rounded approach using a range of different sources of information to conduct an F&P assessment in line with the firm's risk tolerance, code of conduct and other employee policies;
- have a clear process for investigating certification issues, so that a fair and reasonable approach is taken to gathering all of the evidence for a particular case, and dealing with the circumstances where someone leaves the firm while under investigation (including what information may need to be recorded for a regulatory reference);
- ensure a structured framework and/or agreed policy is in place for individuals for whom the F&P assessment highlights a development or remediation need; and
- ensure there is a framework in place to evaluate the significance of information that may call into question an individual's F&P.

## Background to development

As noted in Principle 1, the CRWG discussed the importance of a firm taking into account a range of factors when assessing F&P.

Firms will need to ensure that those undertaking an assessment have sufficient competence and capability to enable them to identify and recognise certification risks and/or issues in a fair and consistent manner, while drawing on relevant and appropriate sources of information.

The CRWG suggested that firms should do this in line with their risk tolerance, code of conduct and other employee policies. Firms should not use the F&P assessment process as an opportunity to undermine or dismiss individuals for reasons that are not related to their F&P.

The CRWG also discussed the importance of establishing the underlying cause of an issue in order to ensure effective resolution. The firm should consider whether the underlying cause lay with the individual (e.g. the individual did not have sufficient competence or capability) and/or whether there were broader organisational issues (e.g. the lack of adequate controls).

Firms should consider whether remedial and preventative actions could be taken to help the individual meet the standards in the future and prevent the issues recurring or escalating to a more serious level. Where an individual, for example, falls short of the expected standards (such as where an individual's performance is inadequate but their F&P is not called into question) a firm might in the first instance wish to place them on a PIP rather than withdraw the certificate. Where broader organisational issues are identified, a firm may wish to consider addressing policy and process weaknesses.

The CRWG proposed that, where shortcomings in an individual's performance or behaviour are considered non-significant for the purposes of F&P, a firm should attempt to resolve these through alternative means to formal disciplinary procedures (e.g. constructive feedback or training).



## Principle 5: Evidencing the F&P assessment

Principle	Background to development
<p>A firm should:</p> <ul style="list-style-type: none"> <li>• hold a consolidated record of the sources of information or tools used in an F&amp;P assessment;</li> <li>• ensure that the responsible individual (e.g. line manager) adequately records his or her judgement of F&amp;P at least annually and (as relevant) any positive or less serious negative behaviours (e.g. below the level that would indicate a triggered or in-year assessment) that might be relevant to subsequent F&amp;P assessments; and</li> <li>• ensure it has an appropriate system for logging and tracking certification issues at a firm level and maintain a learning log to inform the continuing development of good practice.</li> </ul>	<p>The CRWG discussed the need to document the F&amp;P assessment in order to evidence the requisite parts, such as sources of information and outcome. It was agreed that good practice in this regard would encompass:</p> <ul style="list-style-type: none"> <li>• the sources of information used and the frequency of their use in any given F&amp;P assessment;</li> <li>• a consolidated record of all sources of information that had been used in the assessment;</li> <li>• tracking and monitoring information on an ongoing basis;</li> <li>• records of any issues that called into question the fitness and propriety of an individual;</li> <li>• details of the relevant parties who had been consulted as part of the assessment process (e.g. Legal, Compliance, Risk); and</li> <li>• the rationale for the assessor’s judgement in reaching the certification decision.</li> </ul> <p>Based on the discussions with the CRWG, an initial Assessment Record Template was created and shared as part of the consultation. Respondents noted that, while it would be useful to have a standardised method for conducting and documenting the assessment, firms faced challenges in doing so due to the constraints of legacy systems.</p> <p>While recognising the constraints, nevertheless it is considered to be good practice for firms to be able to access all information relevant for an F&amp;P assessment to ensure consistency of approach, provide an audit trail and evidence of outcomes. It will be particularly important to record any gaps in the information and the Assessment Record Template now includes a box to record this, see <i>Supporting Guidance Certification Regime: Fitness and Propriety Definitions, Sources of Information and Assessment Record Template</i> for further information.</p>

## Principle 6: Training and communication around the F&P assessment

Principle	Background to development
<p>A firm should:</p> <ul style="list-style-type: none"><li>• consider the support required by those assessing F&amp;P by:<ul style="list-style-type: none"><li>– ensuring appropriate training for those responsible for the F&amp;P assessment (including the evaluation of the significance of F&amp;P issues that reflect negatively on the individual) and ensuring that this training is undertaken and refreshed on a periodic basis;</li><li>– providing guidance and training for line managers on the identification of certification risks and issues as part of performance management; and</li><li>– developing appropriate training for line managers on discussing the outcome of an F&amp;P assessment with the individual concerned;</li></ul></li></ul>	<p>As referenced in Principles 3 and 4, the CRWG considered the need to provide appropriate support for those conducting the F&amp;P assessment (e.g. those responsible for assessing the competence and capability of an individual as part of the performance appraisal).</p> <p>It was agreed that a firm should review, at regular intervals, the quality and effectiveness of the training provided to those involved with the F&amp;P assessment. This review should include the take-up and completion of training, to ensure the process remains fair and consistent in its application across all individuals.</p>

## Principle

- consider the support required by individuals having their F&P assessed, by:
  - developing appropriate training, guidance and support in relation to an individual’s self-declarations, including the type of information that may need to be self-disclosed;
  - developing appropriate training and/or communication as an ongoing reminder of an individual’s responsibilities around the F&P assessment; and
  - establishing an appropriate process for an individual to discuss the outcome of their F&P assessment with an individual who has responsibility for the assessment;

## Background to development

The CRWG considered the way in which F&P was discussed with and communicated to employees. Consideration was given to the different circumstances when an assessment would be required, as per the discussion in Principles 1 and 2 (e.g. firms may wish to make use of induction programmes and/or workshops to introduce staff to the requirements of the Certification Regime).

Periodic training might also be used to address the F&P assessment, including such aspects as the role of the individual in self-declaration, the Conduct Rules and steps the firm is taking to promote a culture of individual accountability and openness, including escalation of concerns and any ‘speak up’ policy and procedures (in line with Principle 9).

The CRWG also discussed the availability of training, guidance and support for individuals in relation to their own F&P and what might constitute an appropriate level of self-declaration for the purpose of the assessment (e.g. the factors that might need to be taken into account in deciding whether it is relevant to disclose a relationship with a colleague, such as the nature of the relationship, the nature of the role and the proximity of the role to transaction decisions, privileged information or cash and settlement operations).

In particular, the CRWG noted the importance of individuals being aware of, and bought in to, the overall process of assessing F&P. The F&P assessor(s) should discuss the outcome of the assessment with the individual to ensure that he or she understands the decision and how it was reached, and can incorporate any feedback into personal development.

## Principle

- establish appropriate guidance and training for all relevant employees to enable them to identify and recognise what constitutes a certification risk and issue, and to raise concerns where appropriate; and
- consider whether there is a need for tailored training and guidance in identifying certification risks or issues and to initiate the appropriate action as necessary for particular business functions (e.g. Compliance, HR or Internal Audit).

## Background to development

As raised in Principle 4, the CRWG discussed the importance of identifying and recognising certification risks and issues in order to facilitate the resolution of a potential or realised situation at the earliest possible point.

Firms should provide relevant individuals with appropriate guidance and training to ensure that a fair and consistent approach to identifying certification risks and issues is taken across all business areas.

## Principle 7: Appealing the outcome of an F&P assessment and the withdrawal of a certificate

Principle	Background to development
<p>A firm should:</p> <ul style="list-style-type: none"> <li>establish a process for the independent review of the outcome of an F&amp;P assessment;</li> </ul>	<p>The CRWG and responses to the consultation both noted the importance of having an independent review mechanism of F&amp;P assessment outcomes. The nature of the Certification Regime means it is unlikely that the assessor(s) will be completely independent of the individual who is being assessed (e.g. it may be the line manager who undertakes the assessment).</p> <p>The CRWG felt that firms should consider how to mitigate the risks associated with this by, for example:</p> <ul style="list-style-type: none"> <li>having a policy and procedure to review marginal decisions;</li> <li>auditing a number of F&amp;P assessments from each division across the firm to ensure consistency; and</li> <li>establishing a panel or committee to review an individual’s appeal against an adverse assessment outcome, chaired by an independent practitioner (e.g. non-executive director or a practitioner from a different part of the business).</li> </ul>
<ul style="list-style-type: none"> <li>develop a clear appeals process against the conclusion of the F&amp;P assessment;</li> </ul>	<p>The CRWG noted the importance of having an appeals mechanism to allow an employee to contest the withdrawal of the certificate, and considered the timing of such an appeals process.</p> <p>Respondents to the consultation were clear that given the significance of such an outcome, an individual should be given the opportunity to challenge any decision leading to the withdrawal of a certificate before the certificate is withdrawn.</p>
<ul style="list-style-type: none"> <li>ensure that any appeal against the conclusion of the F&amp;P assessment is aligned with other relevant business processes (e.g. an appeal against a disciplinary finding or performance management process); and</li> </ul>	<p>As referenced in Principle 2, the CRWG discussed the value of the F&amp;P assessment process being aligned with existing processes. Members were clear about the need to ensure that a consistent approach was taken across the firm, processes were fair for the individual concerned, and that due process was respected.</p>

## Principle

- consider what process, control or oversight improvements might need to be in place where an F&P issue is identified and how any broader learnings are communicated around the firm.

## Background to development

In line with Principle 4, the CRWG discussed the importance of identifying the underlying cause of an issue. Where issues were the result of broader organisational factors, such as a lack of adequate controls, a firm should consider taking steps to address the relevant policy and process weaknesses.

## Principle 8: Assessing F&P as part of a global group

Principle	Background to development
<p>A firm should:</p> <ul style="list-style-type: none"> <li>aim to have high and consistent standards across the global group for assessing an individual's F&amp;P;</li> <li>develop an approach for conducting F&amp;P assessments of relevant individuals overseas that reflects what is permitted by local jurisdictions;</li> <li>identify and use appropriate overseas equivalent sources of information for each element of F&amp;P, as required by the Certification Regime; and</li> </ul>	<p>The CRWG and consultation respondents noted that one of the most operationally challenging aspects of the Certification Regime was faced by global groups in the context of employees moving to the UK from overseas and in-scope employees who are based overseas.</p> <p>It is important to ensure that any assessment of an overseas individual, whether based there permanently or moving to the UK, is as robust as the process undertaken for UK-based staff.</p> <p>The CRWG noted that the challenge for firms comes in the form of legal limitations in other countries (e.g. one member commented that credit checks were not permitted in France for employment purposes, even though they would form a standard part of screening checks in the UK).</p> <p>Firms need to be flexible in developing their approach to allow for variations in the information available and permissible in different countries. They should also, however, be consistent in terms of the standards they are trying to reach and the outcomes they are seeking to achieve. Where possible, global firms should seek to use the breadth of their organisation for support and good practice.</p> <p>The FCA and PRA's Policy Statements and Final Rules on regulatory references stated that, where firms face difficulties in obtaining a reference from an overseas-based firm, they must demonstrate that they have taken reasonable steps to obtain information sufficient to enable the assessment of the individual's F&amp;P. For more details on regulatory references see the following links:</p> <p><a href="http://www.bankofengland.co.uk/prc/Pages/publications/ps/2016/ps2716.aspx">http://www.bankofengland.co.uk/prc/Pages/publications/ps/2016/ps2716.aspx</a></p> <p>It is our intention to explore the international challenges of the Certification Regime further and to produce guidance, where helpful, in this area.</p>

### Principle

- develop appropriate processes for assessing the F&P of internationally mobile individuals.

### Background to development

The CRWG discussed the need to develop or update existing mobility processes to ensure that F&P assessments are carried out for internationally mobile individuals prior to their taking up certified roles. An incoming employee to the regime might not, for example, be permitted to start their role until relevant background checks, a self-declaration and the relevant mobility approval forms were completed.



## Principle 9: Fostering a culture of openness, challenge and support

Principle	Background to development
<p>A firm should:</p> <ul style="list-style-type: none"> <li>• promote an environment in which individuals are confident to speak up and actively challenge the behaviour of colleagues;</li> <li>• ensure that Senior Managers lead by example in fostering and supporting a culture of openness, challenge and support;</li> <li>• develop appropriate procedures to support individuals and encourage them to disclose any issues in a timely manner; and</li> <li>• develop and implement a performance management process that assesses a broad range of dimensions, consistent with the firm’s purpose and values and with high standards of behaviour and competence.</li> </ul>	<p>Fostering a culture of openness, challenge and support is a priority for many firms and encompasses a range of issues, not only confidence in the firm’s whistleblowing arrangements but also about the extent to which bad behaviour is challenged and diversity of thought and approach is encouraged.</p> <p>The CRWG and consultation respondents highlighted the importance of such a culture to an effective Certification Regime. They also noted the need for Senior Managers (as defined by the FCA and PRA’s Senior Managers Regime see <a href="https://www.fca.org.uk/firms/senior-managers-certification-regime">https://www.fca.org.uk/firms/senior-managers-certification-regime</a>) actively to support this Principle through leading by example.</p> <p>There is an inherent requirement in the Certification Regime for the individual to disclose relevant information as part of the assessment process. An individual needs to have confidence that they can do so without fear of repercussions. An individual should also not be dissuaded from accessing any in-house support offered by a firm, at the risk of doing so raising a question about their own financial soundness.</p> <p>Further to their regulatory obligations regarding whistleblowing rules, firms may also wish to consider putting in place a range of avenues that enable individuals to raise concerns confidentially or disclose any certification risks or issues about those undergoing an assessment. Good practice here may include the disclosure of matters to an appropriate point of contact (e.g. a business conduct officer) and the use of a secure and independent channel for individuals to raise concerns to seek advice about certification risks and issues (e.g. a hotline or helpdesk). For more details on whistleblowing rules see the following links:</p> <p><a href="https://www.fca.org.uk/firms/whistleblowing">https://www.fca.org.uk/firms/whistleblowing</a></p> <p><a href="http://www.bankofengland.co.uk/pru/Pages/contactpru/whistleblowing.aspx">http://www.bankofengland.co.uk/pru/Pages/contactpru/whistleblowing.aspx</a></p> <p>A firm may also wish to provide a positive affirmation, in line with Principle 1, to individuals who embody and demonstrate a commitment to fostering a culture of openness, challenge and support.</p>

## Principle 10: Promoting greater collaboration between firms

Principle	Background to development
<p>Firms should:</p> <ul style="list-style-type: none"><li>• identify opportunities to collaborate in order to develop a common approach to certification; and</li><li>• work together to develop a consistent approach to the assessment, reporting, recording and communication of F&amp;P, so that each firm can recognise and have confidence in another's assessment.</li></ul>	<p>The establishment of the CRWG itself reflects the value that firms attach to a collaborative approach in implementing the Certification Regime.</p> <p>The CRWG and consultation respondents were all supportive of industry collaboration in line with relevant Competition Law requirements and with the development of the Statement of Good Practice and Supporting Guidance.</p> <p>The requirement for regulatory references offers another opportunity for collaboration in ensuring a consistent approach across the industry. The final rules relating to regulatory references were issued by the FCA and the PRA after the BSB's consultation on assessing F&amp;P had been published. We will look into regulatory references in our ongoing work with the CRWG, with the aim of producing further guidance as appropriate. For more details on regulatory references see the following links:</p> <p><a href="https://www.fca.org.uk/publications/consultation-papers/strengthening-accountability-banking-insurance-reg-refs">https://www.fca.org.uk/publications/consultation-papers/strengthening-accountability-banking-insurance-reg-refs</a></p> <p><a href="http://www.bankofengland.co.uk/pr/Pages/publications/ps/2016/ps2716.aspx">http://www.bankofengland.co.uk/pr/Pages/publications/ps/2016/ps2716.aspx</a></p>

## Principle 11: Promoting high professional standards across the industry

Principle	Background to development
<p>A firm should:</p> <ul style="list-style-type: none"> <li>• invest in the personal development of: <ul style="list-style-type: none"> <li>– staff in certified roles;</li> <li>– staff who have the potential to occupy certified roles in the future; and</li> <li>– staff supporting the certification process;</li> </ul> </li> <li>• ensure that staff maintain their own Continuous Professional Development (CPD) and that development is supported outside their day-to-day role through, as appropriate: <ul style="list-style-type: none"> <li>– skills-based training;</li> <li>– role-based knowledge training;</li> <li>– knowledge of the banking and broader financial services sectors; and</li> <li>– ethics awareness and training.</li> </ul> </li> </ul>	<p>A consistent theme in CRWG discussions was the need to go beyond the minimum requirements of the Certification Regime and, where appropriate, to promote high professional standards across the industry.</p> <p>Consistent with the concept of positive affirmation, the CRWG discussed how firms and individuals can promote high professional standards. From a firm perspective it was felt that investment should be made in the personal development of individuals, whether formally (e.g. through relevant training courses) or on the job (e.g. through developmental conversations with a line manager).</p> <p>It was also felt that CPD, led by the individual but with support from the firm, was essential to supporting higher professional standards through the enhancement of broader skills and knowledge. It was noted that this should be a discretionary activity to allow for appropriate tailoring to the needs of the individual. Firms were also seen as having an obligation to ensure that individuals maintain their competence as part of the FCA’s Training &amp; Competence Regime.</p> <p>The role of professional bodies and professional qualifications in supporting and promoting high professional standards is being considered as part of the BSB’s Professionalism work.</p>

