

PRESS RELEASE

Setting the standard for a safer, more trusted financial services sector

- Report identifies need for voluntary standards within Financial Services
- Majority of professionals in sector call for more voluntary standards

The financial services industry is failing to adopt voluntary standards crucial to rebuilding trust in banking, despite overwhelming support from those working in the sector. [*Backing Market Forces*¹](#), a report jointly commissioned by BSI, the UK National Standards Body, and the Chartered Institute for Securities & Investment (CISI), the professional body for securities and investment practitioners, argues that adopting voluntary standards, alongside regulation, could provide a 'third way' between self-regulation and over regulation from government.

The study analysed how voluntary standards could play a greater role in rebuilding a safer and more trusted financial services sector. Findings show that financial services decision makers² overwhelmingly support the adoption of voluntary standards and believe such standards could help them navigate this highly regulated sector. More than two thirds of those surveyed called for more standards in finance around people (78%), products (71%) and processes (69%), with the majority (54%) favouring their creation by the industry as opposed to the regulator (23%).

Around the world there are calls for more intensive regulation of financial services, yet regulation requires resources and changes the nature of, or even reduces, competition. The report argues that voluntary standards markets, used widely in industries such as food and shipping, could be used more widely in financial services if regulators and legislators considered a 'third way' for financial services regulation. While standards are already used in financial services they appear to be a relatively low user when compared to other sectors.

Scott Steedman, Director of Standards, BSI commented:

"Given the mounting pressure on the financial services sector, Alderman Michael Mainelli's excellent and timely report confirms that voluntary consensus standards could provide a valuable tool for the financial services community to share best practice in many areas of business, including products, processes and organizational development. Bringing consumers, the wider society and all stakeholders together to help create a trusted voluntary standards market in financial services, is a role that BSI as the National Standards Body is well placed to deliver."

The report, prepared by leading financial services think tank, Z/Yen Group, concludes that a 'New Combined Approach' to regulation in the financial services sector will bring benefits through more rapid reform of the sector, lower costs of regulation and increased confidence in the financial system

¹ Backing Market Forces: How To Make Voluntary Standards Markets Work For Financial Services Regulation - Z/Yen Group, November 2013

² Survey of 112 respondents. Research undertaken also included interviews and discussion group with experts from across the industry and supporting community.

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as a whole. It recognizes the need to seize opportunities for the use of voluntary standards as part of new regulatory initiatives or reforms.

Professor Michael Mainelli Chartered FCSI, one of the report's authors, said:

"Society naturally reacts to risks by wanting to eliminate or control them, but over-reaction can impair or ruin markets. In the right circumstances, rather than imposing onerous regulation or spouting unenforceable principles, using voluntary standards markets that bridge the market-government divide, can help us all make better decisions."

The report recommends better coordination of existing voluntary standards development, more evidence of voluntary standards markets' benefits and costs, and integration of voluntary standards with wider government policies. The report identifies many areas where voluntary standards are currently lacking, such as in anti-money laundering, qualified investor rules, or fiduciary ratings.

Simon Culhane, Chartered FCSI and CISI CEO said:

"This stimulating report highlights how standards could play a greater role in finance, not least to increase transparency and encourage better practice.

"The CISI is delighted to have been invited to join with BSI in supporting this important research project into standards by Alderman Professor Michael Mainelli, Chartered FCSI and his team. During the course of 2014 we will be engaging with our 40,000 members round the world through our extensive events programme, our online channels and our member-led Professional Forums, in partnership with the dozens of global banks and regulators with whom we have close working relationships to understand how we can best help develop Professor Mainelli's wide-ranging and fascinating proposals."

ENDS

Notes to Editors

- A full copy of the research report can be viewed [here](#)
- Following an initial discussion group with financial industry professionals in July of 2013 held in the City, 78 interviews were conducted with senior professionals and decision makers from financial services, trade bodies, professional services, academia, accreditation and certification bodies.
- Interviews were conducted in person in London, Geneva and several other locations, with many international telephone interviews carried out under conditions of non-attribution. Interviewees came from a wide range of firms with an interest in financial services.
- An awareness survey was designed and sent to interviewees and members of the Long Finance community to inform the research on the level of awareness of voluntary standards markets for the financial services sector. 112 individuals answered the questionnaire, primarily from the financial and professional services sectors but also included professionals from government and regulation, academia and research and industry trade associations.

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The **Chartered Institute for Securities & Investment** (CISI) is the largest and most widely respected professional body for those who work in the securities and investment industry in the UK and in a growing number of major financial centres around the world. Formed in 1992 by London Stock Exchange practitioners, CISI now counts more than 40,000 members in 89 countries. In the past year, CISI set over 42,000 examinations in 68 countries, covering a range of vocational qualifications. CISI has a strong regional presence in the UK, with 16 active branches across the British Isles, and a fast-growing presence internationally, served by offices in Dublin, Edinburgh, India, Singapore, Sri Lanka and the UAE.

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The **Long Finance** initiative began in 2005 when Z/Yen Group and Gresham College, with support from the City of London Corporation, began asking "when would we know our financial system is working?" This question led to Long Finance's London Accord, an agreement now shared by over 50 investment research firms to share environmental, social and governance research with policy makers and the public. Through its programmes, events and publications, Long Finance aims to expand frontiers, change systems, deliver services, and build communities through meetings, networking and events that address finance over lifetimes and centuries.

www.longfinance.net



***Z/Yen Group** is the City of London's leading commercial think-tank founded to promote societal advance through better finance and technology. Headquartered in London, Z/Yen was founded in 1994 to promote societal advance through better finance and technology and has built its practice around a core of experienced project managers, supported by technical specialists around the world so that clients get expertise they need, rather than just resources available. Z/Yen's strength is in wholesale finance strategy, intelligence and research where it applies its Z/EALOUS risk/reward methodology for banks, investors, corporate treasuries, information providers, exchanges, insurers, trade associations and alternative risk vehicles. Z/Yen is renowned for its semi-annual Global Financial Centres Index.

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