

Ethics Committee - Ethics an Afterthought? - When One Hour is not Enough



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Introduction

Autumn brings a routine reminder to the inbox. The email that says check your progress with CPD (Continuous Professional Development) requirements invariably says don't forget the hour of ethics. As we all know, CPD for qualified and grandfathered individuals, working in financial services has been a structured requirement for many years. The additional requirement for a person 'to complete at least one hour of CPD each year which relates to ethics'¹ was added in the Minimum Competency Code (MCC) in 2011. The reminder relating to the one hour of ethics always evokes the thought that there must be a better way to get people in financial services to think about ethics.

Rightly or wrongly 'one hour of CPD that relates to ethics', sometimes referred to as the 'compulsory ethics module', paints a picture of content that is separate to the other fourteen or more hours of CPD that is undertaken by qualified individuals every year. The part of the requirement that says 'at least one hour' seems to get lost. Indeed, a question frequently asked of many a Compliance Officer is a telling enquiry. "Is it OK to include more than one hour of ethics in the annual submission?" Could an individual be forgiven for thinking that there is an aspect to compulsory ethics CPD that calls the individual to do something that is almost beyond the call of duty, something extra and distinct from all the other CPD modules being completed? My question in relation to every piece of CPD without exception, is whether the ethical dimension of this topic was considered and discussed and whether there was consideration of situations, activities and decisions where issues of right and wrong were addressed. If not, was there meaningful professional development?

It is not Complicated

The requirements of the MCC in 2011 and 2017 are simple. They outline that, best practice in relation to any range of topics, should include recognition of ethical issues relating to the conduct of business and the most appropriate means of ensuring ethical standards

and behaviour apply. Take the Insurance Distribution Directive² as an example of one of the EU directives that deals with the distribution of financial products and services. Annex 1 identifies areas of competency that relate to fundamentals of providing goods and services to customers. The rules are the same no matter where insurance is sold in the EU. There is an expectation that ongoing training and development will focus on knowledge of the goods and services provided, the relevant law and regulations applicable and how that market operates, how to understand customers' needs and handle their complaints and develop a fundamental knowledge of business ethics standards. These are minimum standards that provide the broad base of building blocks for other business operations such as product design and governance, target markets and pricing and overall management and strategy of firms.

In everyday life professionals are expected to make decisions based on principles of what is right and what is wrong. Basic principles of fairness honesty and trustworthiness are the norm rather than the exception. To ensure there is common understanding of ethical and unethical behaviour there must be an ability at all levels in the organisation to know and identify clearly what the values of the firms are and the culture that enables those values to flourish. Vague opinions or hunches about acceptable business practices need to be replaced with clear and visible factors that influence decisions and activities at the coalface of the business. Does one hour of ethics provide meaningful support for this activity?

Making it Happen

So, who in the organisation is responsible for ensuring the ethical dimension is included routinely in every piece of CPD. In organisations there are rules about the use of the brand and corporate messaging that must be embedded when designing a piece of training. All learning modules have some core objectives such as "at the end of this session you will understand... be able to..., recognise..., respond to...", the list is endless. To include one other element would not be onerous or

difficult or detract from the task. Ask the question: what is the ethical dimension of this activity?

Many would shy away from this task, pleading lack of credentials to get into an ethical discussion. Those same individuals would, nonetheless, profess to know the differences between good outcomes and bad, fairness and inequality, self-interest, common good and public interest. In the insurance world the concept of the contributions of the many paying for the losses of the few, and similar fundamentals in banking all enable enterprise, encourage growth, protect life, limb and property to promote a flourishing economy. Professional bodies and many organisations, large and small, have codes of conduct, behaviour or ethics, all variations on the same theme. Consideration of the ethical dimension is not starting from zero in financial services industry. With the right tools, consideration of the ethical dimension can become second nature and hopefully embedded as part of the delivery of financial services opportunities for learning and development.

Finding an Ethical Dimension – A Suggested Exercise

Granted, ethics is a vast area of ongoing study and exploration. It has a history going back thousands of years full of interesting, thought-provoking philosophers and a multitude of theories. Finding an ethical dimension, based on a range of ethical theories, taken from the business ethics branch is straightforward. This exercise looks at a few typical questions that can be asked when any piece of learning or training is under consideration to identify one or maybe more ethical dimensions to the relevant learning object.

Looking at the following table six ethical considerations are stated. Beside each, is one (of many potential) questions that could identify an ethical dimension to the matter under consideration.



Figure 1: Extract Business Ethics Crane & Matten Oxford University Press 2016 Pragmatic Use of Ethical Theory p125



Going the Extra Mile – One Step at a Time

In 2011, the UN endorsed Guiding Principles for Business and Human Rights, known as the Ruggie Principles³, that require firms to know and show that they will respect and protect rights of individuals and provide remedies when things go wrong. Eleven years later the Financial Conduct Authority (FCA) introduced the New Consumer Duty⁴ that is designed to drive change in the financial services in industry mindset. The rationale for this change is the requirement on firms to set higher standards to improve outcomes for customers. Whilst the New Consumer Duty does not reference ethics per se, it does however refer to fair value, acting in the interest of consumers, preventing harm, provision of information and transparency. Like the Guiding Principles the focus is on rights, duties and obligations to treat people fairly, making sure to cause no harm and respecting their dignity. The FCA are going the extra mile, to make firms accountable, by reporting the improvement in customer outcomes.

In the light of the above requirements would it really be such a stretch to require that every CPD module include material that deals with ethical considerations? The questions in Figure 1 on previous page are a starting point for ways of addressing business ethics problems and concerns. There are many other tests and rules that can easily be incorporated in training and development

material to highlight ethical dimensions. Ethical principles are here to stay. Where the FCA venture others follow shortly after. Is it time to review a CPD regime that calls out a need 'to complete at least one hour of CPD each year which relates to ethics?'

Conclusion

Yes, this requirement put ethics firmly on the CPD agenda in 2011. However, when elements of CPD become a box ticking exercise perhaps it's time to drive a change to make things better. The call from all regulators is to embed 'good' practices that deliver 'better' outcomes. A different approach to ethics in CPD has the potential to bring about change. Helping individuals to have ethical discussions about the day-to-day aspects of their role, encouraging critical review of proposals using straightforward ethical tools and theories, has the potential to develop meaningful application of ethical understandings to new and evolving technologies. Developing a new approach to ethics and CPD is needed to enable those who work in financial services to identify ethical dimensions of the business. After all if we cannot see the ethical dimension how can we build a culture that is both commercial and compliant, ethical and consumer centric addressing ethical risks whilst protecting and respecting the rights of individuals. Let's make ethical discourse the norm at all levels of our organisations.

REFERENCES:

- 1 Minimum Competency Code 2011
- 2 IDD
- 3 https://www.ohchr.org/sites/default/files/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf
- 4 FCA The new Consumer Duty