

## **Factsheet**

### **The Business of Trust**

The Business of Trust is a City of London Corporation initiative which was launched by Lord Mayor Charles Bowman in November 2017. It aims to improve the trustworthiness of the UK's financial and professional services sector and create a lasting legacy of better business trusted by society.

#### **KEY MESSAGES - Domestic**

- 10 years after the financial crisis, trust in business and financial and professional services remains low.
- The public remains sceptical about the progress that has been made through a variety of government, sector and company-led reforms.
- People are still suffering from the effects of 2008. They continue to hear and experience negative stories about financial and professional services.
- Many people still think that businesses are remote, detached from their lives and separate from their communities.
- Public expectations of business are changing. People now expect business to deliver for society, demonstrate a human face and act transparently.
- The City of London Corporation has a long-term commitment to help increase responsible business practices within the financial and professional services sector.
- We need to now make sure that responsible business practices are at the heart of the financial and professional services sector.
- This will help build public trust and support businesses to drive forward positive changes, for the benefit of organisations and wider society.
- To date we have developed guiding principles that are a starting point for business. They can be embedded within business models and values.
- In addition, we have already started working with around 60 of the City's next generation leaders - the Leaders of Tomorrow – to empower them to take action and increase trustworthiness in the sector.
- They are the talented next generation business leaders who are tackling the real opportunities and challenges facing the sector both today and in the future. We will be growing their engagement and commitment over the year ahead.
- The Lord Mayor and the City of London Corporation are committed to developing a progressive and lasting legacy that ensures that the financial and professional services sector continues to positively engage with this agenda in the coming years.

- Ultimately, we want to ensure that the UK's financial and professional services sector plays an important role in supporting the wider economy and society, and is recognised as trustworthy by the public.

## **KEY MESSAGES - International**

- As an innovative global financial centre, the UK is recognised across the world as a leader in the development and promotion of high standards of regulation and best practice.
- As other major financial centres have experienced, the financial and professional services industry has struggled to regain trust with the public since the financial crisis.
- The sector cannot be complacent and must respond to changing public concerns and expectations.
- The 'Business of Trust' will support the financial and professional services sector to demonstrate and communicate its strengths internationally and to continue and grow its positive impact.
- This includes working with businesses to promote the City of London, and wider UK, as a trusted global business centre.
- This is built on an internationally renowned corporate governance regime and highly regarded legal system.
- The UK's corporate governance regime is a key strength for us and helps to deliver long-term success and promote trustworthy practices.
- The UK also has a legal system underpinned by the Rule of Law, which is replicated across the world as a reliable way to resolve disputes, and promotes confidence in our business environment.
- We are also working hard to ensure that our regulatory, governance and legal systems are fit for the future, responding to the opportunities and challenges that changing technologies present.
- The 'Business of Trust' will support businesses to deliver inclusive growth that ultimately benefits society.
- It will also provide opportunities for businesses based in the UK and abroad to share best practice and learn from each other's experiences and common challenges.

## **BACKGROUND**

- Through the 'Business of Trust' programme, we will be challenging business to raise its game in delivering – better business trusted by society.
- Early in 2017 an advisory group of industry leaders reviewed and distilled years of guidelines, standards and codes of conduct.
- We also gathered information during the summer of 2017 through a series of focus groups.
- This series of day-long focus groups with the public were held in London, Nottingham and Edinburgh to help gather feedback and develop recommendations.
- This built an evidence base alongside an analysis of existing initiatives and codes of conduct.

- These have shaped our thinking on the steps that the sector can take to increase its trustworthiness.
- A key point from the focus groups was that they wanted consumer focused firms to be more transparent, not just in their business practices but in how they communicate vital information to consumers.
- They also wanted clear communication from business and an approach where the customer was put first.
- We have as a result of this work developed guiding principles that act as a starting point for business and can be embedded into their plans and values. They are:
  - Demonstrate and build Competence and skills
  - Act with Integrity
  - Create Value for society
  - Balance the Interests of others
  - Deliver Clear communication
- Through the 'Business of Trust' we will be:
  - Inspiring businesses to operate with integrity and grow their positive impact
  - Supporting businesses and their leaders to meet tomorrow's challenges
  - Bringing the City together to explore the changing role of business in society
  - Working with others at home and abroad to build trust in business
  - Connecting with communities to take the discussion beyond business
- In order to achieve this ambitious programme, we will support the Leaders of Tomorrow – the City's next generation of leaders - to:
  - Understand the drivers of trust from the public's perspective and to think about how they can address these within their own businesses.
  - Engage with the social, political, economic and technological challenges that are impacting on trust and which the City will need to address to sustain business performance over the longer term.
  - Build the skills and understanding that will support more effective communications with the public on the role of the City and its contribution to society.
  - Build a first-rate peer network from across the sector and work with the City of London's unrivalled network of senior stakeholders.
- We will publish a research paper in 2018 which will share with business the findings obtained from the focus groups that were carried out.
- However, there is no quick fix to achieve this goal.
- We need to make sure that transparent and responsible business practices are at the heart of how the financial and professional services sector operates.
- We are not aiming to create more targets and standards for businesses, but to encourage inclusive leadership and long-term culture change.
- We also need to make sure that City businesses better reflect the society they operate in.
- Our research in 2017 found 87% of business people in the City surveyed didn't think that their company's efforts on diversity and inclusion were having any impact at all.<sup>1</sup>

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<sup>1</sup> City of London Corporation, Unleashing the Power of Diversity 2017

- The City's continued success is based on the recruitment and retention of the brightest and best – regardless of background. Those companies that have clear purpose and align with changing values are the ones which attract talent.
- We also recognise that the sensitive issues of pay and employee engagement often have a negative impact on how the sector is seen – and we know this will be one of the biggest issues that we need to address.
- The financial and professional services sector has a responsibility to provide stability and continuation of service to the best of its ability after Brexit. The City wants to uphold current regulatory standards that sets it out as standard bearers across the globe.
- The attractiveness of London and wider UK as a destination for the establishment of international businesses and markets has a strong provenance in the reliable and consistent regulatory system we have.

## KEY FACTS

- The 2017 Edelman Trust Barometer reported the largest ever decline in trust across the institutions of government, media, NGOs and business.
- Globally, only 52% of people trust business, 43% trust the media and 41% trust governments.<sup>2</sup>
- In addition, trust in the financial and professional services sector remains low.
- While it has improved globally in the last five years - up 11 percentage points to 54%<sup>3</sup> - in the UK Brexit uncertainty, fears over job losses and corporate relocation continue to undermine public sentiment.
- The public's rating of UK banks' performance across a number of targets reached a low of 29% in 2013.<sup>4</sup>
- Also in 2015, only 36% of UK consumers stated that they had trust in financial services firms.<sup>5</sup>
- The industry, however, is a national asset and it employs over 2.2 million people right across the country.
- The financial services sector accounts for £72.1bn in tax revenues.
- In 2015, it accounted for nearly 11% of UK gross value added – more than one and a half times its share of employment (7%).
- Two-thirds of these jobs are found outside of London right across the country from Bournemouth to Edinburgh. Nor is the sector populated solely with large global companies.
- Previous and current financial services reforms include:
  - **Independent Commission on Banking** was a government inquiry looking at potential reforms (structural and non-structural) to the UK banking sector to promote financial stability and competition following

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<sup>2</sup> Edelman Global Results 2017, 10

<sup>3</sup> Edelman Trust Barometer Financial Services 2017, 22-23

<sup>4</sup> Edelman Trust Barometer 2013, 23

<sup>5</sup> Financial Services Compensation Scheme and Warwick Business School, Mind the Gap: Restoring Consumer Trust in Financial Services, November 2015, 5

the financial crash. It published its final report and recommendations in September 2011.

- **Parliamentary Commission on Banking Standards** was appointed by both Houses of Parliament to consider and report on the professional standards and culture of the UK banking sector and to make recommendations for action. The final report 'Changing banking for good' was published in June 2013.
- Legislative and regulatory reform via the **Financial Services Act 2012** (significantly reforming UK financial services regulation and implementing a number of the recommendations coming out of the Independent Commission on Banking) and introduction of the **Senior Managers and Certification Regime** (to improve accountability for individuals working in financial services).
- Creation of the **Banking Standards Board** (BSB) which was a recommendation of the Parliamentary Commission's Report to promote high standards of behaviour and competence across UK banks and building societies. The BSB began its work in April 2015.
- **Fair and Effective Markets Review** was a comprehensive and forward-looking assessment of the way fixed income, currency and commodity (FICC) markets operate led by the Bank of England and co-chaired by the FCA and HM Treasury. A final report was published on 10 June 2015 and the FICC Markets Standards Board was created on the back of the report.
- Bank of England's **Open Forum** was launched in 2015 to discuss key issues concerning the future of financial markets, bringing together all stakeholders in FICC markets.
- Bank of England's **Future Forum** which was launched in 2016 as an annual event held by the Bank of England to bring together a wide range of views in order to discuss the Bank's role in serving society.
- **Open Banking** is an initiative launched by the Competition and Markets Authority following an investigation into the retail banking market with the aim of creating software standards and industry guidelines to drive competition and innovation in UK retail banking, putting "the trust of the customer at the heart of its planning and production".