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Briefing Doc: FCA - Culture and non- financial misconduct survey – findings



Detailed Briefing Document

FCA Culture and non-financial misconduct survey – findings

This briefing document summarises the key findings from the Financial Conduct Authority's (FCA) first comprehensive survey on culture and non-financial misconduct in financial services firms.

Date: 25th October 2024

Source: "[Culture and non-financial misconduct survey – findings | FCA](#)"

Methodology:

The FCA surveyed 1,028 regulated wholesale financial services firms, achieving a 96% response rate. The survey covered recorded incidents of non-financial misconduct from 2021 to 2023.

Key Themes and Findings

Increasing Reports of Non-Financial Misconduct

The number of reported non-financial misconduct incidents increased significantly over the three years, both in total and per 1,000 employees.

The wholesale banking sector reported the highest number of incidents, likely due to its large employee population.

Prevalence of Specific Misconduct Types

Bullying and harassment (26%) and discrimination (23%) were the most reported types of non-financial misconduct across all sectors.

The “other non-financial misconduct” category accounted for 41% of reports, encompassing issues such as inappropriate language, data breaches, misuse of expenses, and retaliatory behaviour.

Detection Methods

Firms primarily identified incidents reactively, through grievances or formal processes (50%) and whistleblowing channels. Proactive detection methods like market surveillance were also employed.

Wholesale banks were more likely to utilise multiple detection methods, including communications monitoring and surveillance.

Outcomes of Reported Incidents

Disciplinary or “other” actions were taken in 43% of cases. A significant proportion of cases (45% in wholesale banking) were not upheld after investigation.

Dismissal was most common in cases involving illegal drugs, sexual harassment, and violence/intimidation.

Use of Confidentiality and Settlement Agreements

The total number of confidentiality and settlement agreements signed by complainants decreased between 2021 and 2023, primarily driven by trends in the wholesale banking sector.

Discrimination cases were most likely to involve complainants signing either settlement or confidentiality agreements.

"There may be reasons why firms use confidentiality agreements or confidentiality clauses within settlement agreements such as protecting commercially sensitive information when an employee leaves the firm. However, as we made clear in our response to the TSC, confidentiality agreements cannot be used to prevent public interest disclosures to us."

Remuneration Adjustments

Remuneration adjustments following non-financial misconduct were rare.

When adjustments did occur, they mostly impacted unvested variable pay (bonuses).

Policies and Procedures

Not all firms had whistleblowing and remuneration policies in place, despite regulatory requirements.

Variability in policy adoption existed across different sectors.

Governance and Management Information

38% of respondents stated that their board or board-level committees did not receive management information on non-financial misconduct.

33% lacked a formal governance structure for determining outcomes and disciplinary actions related to such misconduct.

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Regulatory References

92% of respondents indicated they would include non-financial misconduct incidents in regulatory references.

However, the number of references actually containing such information was relatively low and gradually increased over the three years.

FCA Expectations and Next Steps:

The FCA expects firms to utilise this data to benchmark their own performance and initiate discussions on non-financial misconduct at senior management and board levels.

Firms are urged to improve their culture, risk management practices, and processes for addressing non-financial misconduct.

The FCA will integrate these findings into its supervisory work, engage with industry leaders, and potentially implement policy changes based on feedback to its consultation ([CP23/20](#)) on diversity and inclusion in the financial sector.

Important Considerations:

The data should be interpreted within the context of individual firms, sectors, and evolving societal expectations.

The high number of “other non-financial misconduct” reports highlights the need for flexible policies and procedures capable of addressing a wide range of potential misconduct.

While confidentiality agreements have legitimate uses, the FCA emphasises that they cannot be used to prevent whistleblowing or public interest disclosures.

The findings underscore the need for continued efforts to foster healthy and ethical cultures within firms, ensuring effective systems and processes are in place to identify and address misconduct swiftly and appropriately.

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