

Financial Services Sector Community Panel Notes

MEETING: UK Financial Services Sector Community Panel Meeting

LOCATION: Hybrid meeting - voco St Johns Solihull, B91 1AT / MS Teams

DATE: 5 June 2024 14:00 – 15:30

ATTENDED: Kyle Tyrrell (chair), Victoria Gillespie (vice chair), Brian Abrey, Emily Song, Burhan Awan, Chetan Champaneri, Noah Davis, Enoch Adeyemi, Jessica Coutts, Becky Glover, Chris Wilson, Lucia Okafor, Laura Reay (ACCA), Sharon Critchlow (ACCA Council), Gemma Gathercole (ACCA)

APOLOGIES: Louise Morriss, Charlotte Mancuso, Pravin Koonjee, Jason A'Court, John Rimmer, Sarah Lucas, Sunday Bode, Paul O'Donnell, Nicola Todd, Jessica Bailey

Introduction

Panel members were reminded to be aware of the panel principles circulated with the agenda and that they should come to meetings prepared to contribute and engage with ACCA on behalf of members and discuss matters of interest to members working in the sector.

Panel agreed to look at gaps on the panel and help to promote the panel on LinkedIn. Panel also agreed to look at Approved Employer HQs or present in the areas we have gaps on the panel.

Overview of the sector

Panel members were provided with the relevant statistics regarding membership working in the Financial Services sector within the UK. The panel noted a need for ACCA to expand the FS categories available for selection within myACCA to give a wider and more accurate landscape.

Sector trends and insights

Each panel member shared an update on the insights and trends within their roles

AI & Cybersecurity:

- Early and growth-stage companies are highly open to adopting AI technology.
- AI's impact will extend to various organisations, including accountancy professions.
- Financial service sectors, in particular, should embrace AI but there is apprehension in some areas.
- Current concern over a wave of cyberattacks in the UK, affecting various sectors including hospitals and Ticketmaster.
- Focus on supporting clients in banking and payment sectors to enhance tech capabilities and digital innovation amidst rising cyber threats.
- Ongoing need to address cybersecurity challenges and strategise effective measures to protect client assets and data.
- Recognition of the evolving nature of cyber threats necessitating continuous tracking and adaptation of cybersecurity frameworks.
- Commitment to fostering ongoing discussions and support for clients in navigating cybersecurity risks and enhancing resilience.

ESG Regulation and standards:

- There's a decline in the urgency of ESG (Environmental, Social, and Governance) initiatives in Wealth Management.
- Regulatory guidelines on ESG have become less stringent, leading to inconsistencies.
- Greenwashing remains an issue, with a need for clearer definitions and categories. The recent FCA Anti-Greenwashing rules were mentioned.
- AI's influence is recognised, but regulatory pressure is complicating data collection and system upgrades.
- There's a push for enhanced data capture to comply with future regulations and consumer duty standards.
- New sustainability regulations are being introduced, but actionable data is scarce.
- Standards are being set by various bodies, with recent agreements on emission reductions and metrics.
- The Financial Reporting Council (FRC) is conducting a market feasibility study on new sustainability assurance standards. Consultation Closes 13/06/2024.
- IAESB

Audit and Assurance Challenges:

- Debate over whether certain areas should be included in statutory audits.
- The big audit firms express reluctance to expand their scope to cover new regulatory requirements.
- There is potential for a lack of competition in the audit sector, affecting audit quality and market dynamics.
- Call to distinguish Audit and Assurance. Latter being addressed by the new Assurance Standards, currently Exposure Draft ISSA5000 looking to replace ISAE 3000
- Concerns flagged regarding qualifications for those offering Assurance

Banking Sector and Mortgage Lenders:

- New builds' average selling price increased by 17% and non-new builds' selling prices fell by 2.4%.
- Possible new legislation if Labour comes to power.
- Discussion on longer-term fixed-rate mortgages or new/replacement Help to Buy schemes.
- Continued rise in new house prices could pose future challenges for the housing market and lenders.

Challenges and Developments in Taxation and Regulatory Compliance:

- Frequent changes in software and regulatory requirements are challenging.
- A recent significant software update has altered processes.
- New requirement to register property sales within 60 days, causing inconvenience.
- Increased focus by HMRC on R&D expenditures.
- HMRC is increasingly scrutinising Research and Development (R&D) expenditures.
- Issues with unregulated agents providing misleading tax services.
- Clients often face problems due to unregulated advice, especially in complex situations like divorces.
- Difficulty in HMRC understanding and processing certain employment expenses.
- HMRC's use of AI to identify discrepancies is noted but not fully effective yet.
- Strong support for regulating tax advice to ensure quality and accountability.
- Recent HMRC consultation aimed at raising standards in tax advice received support.

Insurance Sector and Regulatory Challenges:

- Growing concern within the insurance sector, especially among brokers, regarding overregulation.
- Highlight from a recent major insurance conference (BIBA) indicating that current regulations are pushing brokers out of business unnecessarily.
- Criticism of regulatory practices shifting from prescriptive (FSA) to principles-based (FCA) but still lacking clarity and practical guidance.
- Emergence of a new industry of regulatory consultants due to unclear regulations, with former regulators often leading these consultancies.
- Frustration with the ambiguity and inconsistency in regulatory interpretations, leading to increased reliance on consultants.
- Mixed sentiments on consumer duty regulations; while appreciated in principle, criticized for burdensome reporting requirements that merely document existing good practices.
- Concerns over regulatory measures potentially stifling innovation and competition in the market.
- Call for a balanced approach from regulators and policymakers to ensure regulations support industry growth without unnecessary constraints.

Taxation and Regulatory Compliance Challenges:

- Challenges faced in the tax department at Lloyds Banking Group, particularly with technology integration and navigating complexities with HMRC.
- Concerns shared about regulatory burdens in financial services, likening some measures to using sledgehammers to solve minor issues.
- Focus on international tax implications and the impact of Scottish income tax changes on talent retention within the banking sector, especially regarding graduates choosing career locations.
- Efforts to gather internal data on how tax changes affect employee decisions, particularly regarding potential higher tax rates in Scotland.
- Emphasis on upskilling in technology within Lloyds, with a shift towards self-service tools and the need for accountants and tax advisors to adapt by learning tools like Power BI and programming languages.
- Interest in leveraging online platforms like Perceptual and LinkedIn for professional development in tech and data analytics.
- Observations on the evolving nature of learning, moving from traditional textbooks to interactive online formats in accounting and tax education.
- Operational challenges in the Isle of Man's trust and corporate service provider sector, particularly with offshore structures amidst gearing up for Moneyval assessments.
- Regulatory burdens highlighted as a significant issue, with demands extending beyond compliance to broader company operations and reporting.
- Resource shortages and recruitment difficulties exacerbated by low unemployment rates on the Isle of Man, creating a competitive job market with unfilled positions.
- Strategic focus on leveraging automation and potentially AI to streamline processes and enhance workforce skills, aiming to address resource limitations and regulatory requirements efficiently.
- Regional efforts to stimulate population growth and bolster the finance and compliance sectors, crucial for sustaining industry growth amidst recruitment challenges.

Panel objectives and sub-group updates

The panel will work on the three key areas of Sustainability, AI and Talent, deliverables will include Talking Series sessions, articles/case studies around these themes aimed at members working in Financial Services to increase engagement and satisfaction within the sector.

The panel have agreed to continue discussions on the topic areas they wish to cover for FS members in Talking Series Sessions – these are due to be run starting in September, so finalization must happen within the next couple of weeks.

Talent group: Kyle, Louise, Sarah, Chris, Charlotte & Enoch (other panel members are welcome to contribute/volunteer)

AI group: Emily, Jason, Jessica B, Noah, Becky, John & Lucia (other panel members are welcome to contribute/volunteer)

Sustainability group: Victoria, Nicola, Brian, Burhan & Chetan (other panel members are welcome to contribute/volunteer)

FS update email

Panel members agreed to pick this up after the meeting, via email, due to time constraints during meeting.

Virtual Careers Fair (VCF)

Panel members were reminded of the upcoming VCF in September and advised to sign up if interested.

Reflections on Strategy session from Volunteers Day

There was discussion around the positive of being open-ended and there is no fixed term on the strategy. It was also confirmed that the strategy plans to look at all aspects including exams. There is a focus on AI and data, with evolution not revolution being key.

AOB

Discussion around member development and where ACCA can collaborate with the other FS bodies in the UK.

Information sharing encouraged within the Panel to support achievements, pending events and speaking engagements etc.

Actions noted

- Laura to have a social media asset created by ACCA to promote participation on the panel
- Laura to share Approved Employer directory with panel
- Panel to finalise topic areas for Talking Series within their sub-groups – Laura to follow up via email around deadlines
- Laura to share free CPD links
- Laura to share FS email update info with panel for suggestions
- Brian to start a list of professional bodies and share with panel to start looking at collaboration opportunities
- Brian agreed to take on role of admin within LinkedIn group until its use is revisited in future

Next Financial Services panel meeting: 3 September 2024