

Chartered Banker

Leading financial professionalism

THE COMPLIANT PERSON AND REGULATORY RISK

Assignment

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Important Assignment Information

ASSIGNMENT LENGTH

For assignments submitted on or after **1st September 2008**, there is a **maximum** word count of **2,500 words**.

From that date, if you fail to adhere to the maximum word count, a deduction will be made to your final assignment mark. Specifically, if you exceed the 2,500 limit, you will be deducted **1%** for every **100 words** or **part of 100 words** over the limit.

For example, if you write a total of **2,614** words, a **2%** deduction will be made to your mark. For clarification, the word count includes all references and attached appendices.

PASS COMPENSATION AWARD

In recognition of the importance attached to the assignments, an award of **Pass Compensation** will be made to you if you score between 45% and 54% in the final exam and if you complete the required assignment(s) under the following conditions:

1. The assignment mark must be 60% or above – where two assignments are required, then the average mark must be 60% or above **and**
2. Assignments must be in the hands of the Tutor **at least** one month prior to the **chosen examination date for each subject**.

For example, if you enrol to sit a **full** credit subject examination on **15th December**, you must have sent **both** assignments to your tutor by **15th November**.

Similarly, if you enrol to sit a **half** credit subject examination on **2nd March**, you must have sent the **sole** assignment to the tutor by **2nd February**.

Please also note the following:

- (a) Where an assignment is marked at less than 60%, this may show up as **'Fail'** in the web-based student record – this is purely with reference to the Pass Compensation award and does not necessarily mean it is a sub-standard submission
- (b) You are **not** permitted to **re-submit** an assignment in order to gain a higher mark
- (c) In the event that you fail an exam and have not completed the required assignment(s), you can subsequently complete the required assignment(s) – these will then count towards any re-sit examination undertaken. Submission dates for these assignments must comply with the relevant timescales as stated in **2** above.

ASSIGNMENT BRIEFING

This assignment consists of **three** questions. Half the marks are available for question 1, which is a case study on which you are asked to deal with various regulatory, self-regulatory and ethical issues. You should allocate half the total time that you spend on the assignment to this question.

Questions 2 and 3 are narrower in focus, dealing with financial services regulation and compliance matters in human resources management respectively.

The assignments are intended to provide one of the bases for assessment but also an opportunity to build on the knowledge and understanding of syllabus topics covered in the main study text. Marks are therefore allocated for all questions for:

- Knowledge recall and the ability to interpret and apply relevant principles
- Research beyond the scope of the study text
- References to empirical cases (in particular, you should note that the case study in question 1 is a fictional version of a real case)
- Original thought and considered opinion.

As the assignment tests both knowledge and ‘higher’ skills, the marking scheme will be holistic rather than additive. This means that there will be no single correct answer and that different approaches will be valid provided they focus on the requirements.

Question 1

CASE STUDY: EXPLOIT LIMITED

Exploit Limited is a bank located in a major city in the UK. It is a subsidiary of a large overseas banking corporation. The company has been highly successful in the personal lending market in recent years. It has consistently met the challenging profit targets set annually by its parent company by offering a range of secured and unsecured personal lending products, including secured second advances secured on residential property, unsecured personal loans and credit cards. The key market segment for this company is blue collar, unskilled or semi-skilled persons in high density working class areas.

Recent research by the Marketing Department has identified additional market development opportunities for the expansion of its credit card business. The focus of attention is individuals and families who find it difficult to raise credit from mainstream lending institutions and those who are routinely declined when submitting credit card applications. The potential customers include those with poor credit records, those on low incomes and those whose income is volatile from month to month. Those with no credit record at all and therefore an inability to generate a meaningful credit score may also be targeted.

The proposal is to develop and launch a new product aimed at these individuals and families. It will offer a credit card and cheque book linked to the credit card. A typical credit limit will be £750 with many customers having a lower limit than this. Provisional costing of the product by the company's management accountant suggests that an Annual Percentage Rate of 65% will be required to achieve the desired profit level once income is discounted for the relatively high risk posed by this new business.

- (a) Examine the regulatory issues that will have to be considered by Exploit Limited when developing this product
(10 marks)
- (b) To what extent does the existing regulatory framework that governs personal lending protect low income consumers in the UK? What changes or additional legislation, if any, should be introduced?
(10 marks)
- (c) To what extent do existing voluntary codes of practice protect the buyers of lending products?
(10 marks)
- (d) Critically evaluate the ethical considerations in relation to high risk, high return products such as the new credit card to be launched by Exploit Limited.
(20 marks)

(TOTAL 50 MARKS)

Question 2

“The evolution of financial services regulation in the UK is analogous to a leaky garden hose. As soon as a hole is plugged, other holes appear”.

In view of the recurrent problems that have occurred in the financial services sector, such as inappropriate sales of home income plans and mis-selling of endowment policies and personal pensions, discuss the view that regulatory measures can only be reactive and therefore inadequate to deal with future problems.

(TOTAL 25 MARKS)

Question 3

In the past fifty years there have been several laws introduced to reduce discrimination and increase diversity in the working population. These include legislation on equal pay, sex discrimination and racial equality.

You are a human resources consultant engaged by a regional banking organisation to help it develop its policies on recruitment, selection and employee relations. You have been asked to prepare a briefing note for the board of directors on the following matters:

- The minimum legal standards with which the bank must comply
- The relevance and need for a diversity policy in human resources planning
- The issues that will arise from introducing a diversity policy, and in particular whether applying positive discrimination in order to achieve diversity targets is desirable or not.

Prepare the briefing note for the board of directors.

(TOTAL 25 MARKS)

TOTAL ASSIGNMENT MARKS – 100