

## **Whistleblowing in deposit takers**

### **Financial Conduct Authority (FCA)**

**RPC rating: validated**

#### **Description of the measure**

The assessment explains that the FCA has implemented a set of rules designed to build on and formalise the examples of good practice relating to whistleblowing, which already exist within the financial services industry. The rules were released on October 2015 but allowed firms until September 2016 to implement the changes.

The assessment explains that the changes will require firms within the financial sector to put in place internal whistleblowing arrangements; inform UK based employees of the service provided; inform the FCA in cases where it has lost a tribunal hearing with a whistle-blower; and produce an annual report to its board on whistleblowing. The FCA explains that most firms already have whistleblowing services in place but the measure will require firms to create the position of a whistle-blowers' champion.

#### **Impacts of the measure**

The assessment explains that the changes will affect approximately 1,500 firms within the financial sector.

The FCA estimates that it will cost approximately £8.5 million annually to introduce and maintain internal reporting arrangements. The FCA has cautiously assumed that all affected firms would need to introduce reporting arrangements, when many firms will already have arrangements in place. In order to support its estimates, the FCA has used data from providers of whistleblowing services and from the British Bankers Association, the Building Societies Association and the Association of British Insurers.

The FCA estimates that the cost of internal training will be around £7.9 million per annum; this estimate is supported by evidence from the consultation and the FCA's own supervisory experience. The cost of overseeing whistleblowing procedures will be around £2.2 million per annum. This is based on an earlier cost-benefit analysis.

The RPC verifies the estimated equivalent annual net direct cost to business (EANDCB) of £17.8 million. This will be a qualifying regulatory provision that will score under the business impact target.

## Quality of submission

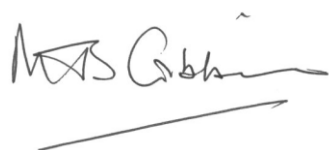
As initially submitted, the assessment did not provide sufficient evidence to support the assumptions underpinning estimates of the costs of training and of overseeing whistleblowing procedures. Following the RPC's initial review, the FCA submitted a revised assessment, which provides sufficient detail on these points. The RPC acknowledges that the FCA is unable to seek further evidence for this assessment given this relates to a measure from 2016. However, RPC requests that, for any future reviews, the FCA should ensure it provides sufficient supporting evidence for its assumptions, to allow a BIT score to be validated at first submission.

## Departmental assessment

Classification	Qualifying regulatory provision (IN)
Equivalent annual net direct cost to business (EANDCB)	£17.8 million
Business net present value	-£160.8 million

## RPC assessment

Classification	Qualifying regulatory provision (IN)
EANDCB – RPC validated <sup>1</sup>	£17.8 million
Business Impact Target (BIT) Score <sup>1</sup>	£89 million



**Michael Gibbons CBE**, Chairman

<sup>1</sup> For reporting purposes, the RPC validates EANCB and BIT score figures to the nearest £100,000.