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2 July 2018

Dear Sirs —

Re: Bank of England Financial Incentives for Whistleblowers Report

I am writing in response to your letter of 20 June 2018¹ and accompanying report² on the note on 'Financial Incentives for Whistleblowers' which was published by the Prudential Regulation Authority of the Bank of England (PRA) and the Financial Conduct Authority (FCA) in July 2014 (PRA/FCA Note).³

The PRA/FCA Note addressed a recommendation by the Parliamentary Commission on Banking Standards (PCBS) to "*undertake research into the impact of financial incentives in the US in encouraging whistleblowing, exposing wrongdoing and promoting integrity and transparency in financial markets*".⁴

There are different opinions on the impact of providing financial incentives to whistleblowers reflecting local legal, political and social norms. Organisations representing UK whistleblowers, such as Public Concern at Work, do not recommend the introduction of financial rewards or incentives.⁵

The PRA is fully aware of the vital role that whistleblowers play in exposing poor practice and misconduct in the financial services sector and, since 2015, has introduced a series of reforms to strengthen the protection of whistleblowers in the firms it regulates.

The main goal of the PRA's whistleblowing rules and expectations is to ensure that individuals who wish to raise concerns feel able to speak up anonymously and without fear of retaliation. This helps advance the PRA's statutory objectives.⁶ The effectiveness of the PRA's rules and expectations therefore should not be measured by reference to the size of financial penalties levied on institutions or the amounts recovered following enforcement action. Fulfilling the PRA's policy goals on whistleblowing requires strengthening the conduct, culture, governance and internal controls of firms which, in the PRA's view, is best achieved through:

- robust whistleblowing policies, procedures and internal controls; and
- clear accountability for the protection of all whistleblowers at board level.

PRA requirements and expectations on whistleblowing

Since 2015 the PRA has set out a range of requirements and expectations, for firms to:

¹ <https://www.whistleblowers.org/storage/docs/letter%20to%20bank%20of%20england.pdf>

² Creating an Effective Anti-Corruption Program: A Rebuttal to the Bank of England's Findings on Whistleblower Incentives ('NWC Report') <https://www.whistleblowers.org/storage/docs/boe%20report.pdf>

³ <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/financial-incentives-for-whistleblowers>

⁴ Changing banking for good: Report of the Parliamentary Commission on Banking Standards, June 2013

<https://www.parliament.uk/documents/banking-commission/Banking-final-report-vol-ii.pdf>. Paras. 791-805.

⁵ The Whistleblowing Commission, Report on the effectiveness of existing arrangements for workplace whistleblowing in the UK, November 2013 <http://www.pcaw.org.uk/content/4-law-policy/2-whistleblowing-commission/2-whistleblowing-commission-report/wbc-report-final.pdf>

⁶ https://www.bankofengland.co.uk/about#anchor_1510759697010

- establish internal whistleblowing channels and inform their staff about them;
- inform their staff about the PRA's and FCA's whistleblowing services and the legal protections under the Public Interest Disclosure Act 1998 (PIDA);
- ensure that employment contracts and settlement agreements do not deter staff from whistleblowing; and
- make a non-executive director in scope of the Senior Managers and Certification Regime (SM&CR),⁷ usually the chair of the board or audit committee, accountable for *"the independence, autonomy and effectiveness of the firm's policies and procedures on whistleblowing, including the procedures for protection of staff who raise concerns from detrimental treatment"*.⁸

A number of these requirements apply proportionately to UK branches and subsidiaries of non-EEA deposit-takers, including US banks operating in the UK,⁹ and non-EEA Solvency II insurers.

You can find out more information about the PRA's and wider BoE's whistleblowing channels on:
<https://www.bankofengland.co.uk/prudential-regulation/whistleblowing-and-the-pra>

I trust that this letter helped broaden your understanding of the BoE's rules and expectations on whistleblowing.

Yours sincerely,



Sam Woods
 Deputy Governor and CEO, Prudential Regulation Authority

⁷ For more information on the SM&CR, please see Supervisory Statement 28/15, Strengthening individual accountability in banking, May 2017 <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/supervisory-statement/2017/ss2815update>

⁸ General Organisational Requirements 2A <http://www.prarulebook.co.uk/rulebook/Content/Chapter/307285/25-06-2018>; Allocation of Responsibilities 4.1(19) <http://www.prarulebook.co.uk/rulebook/Content/Chapter/212518/25-06-2018>; Supervisory Statement 39/15, 'Whistleblowing in deposit-takers, PRA-designated investment firms and insurers' <https://www.bankofengland.co.uk/prudential-regulation/publication/2015/whistleblowing-in-deposit-takers-pra-designated-investment-firms-and-insurers-ss>

⁹ Policy Statement 8/7, 'Whistleblowing in non-EEA UK branches' PS8/17 <https://www.bankofengland.co.uk/prudential-regulation/publication/2016/whistleblowing-in-uk-branches>