



# Finance (Banking)

*The banking sector is facing a period of uncertainty and change in response to the Royal Commission, as well as regulatory and educational standards changes impacting adjacent industries.*

## Industry Developments and Workforce Issues

**Mandatory Qualifications.** Highly regulated, the finance industry has been subject to numerous legislative and regulatory disruptions over the past few years. In recent months, the Financial Adviser Standards and Ethics Authority (FASEA) released final policies detailing new requirements for financial advisers. These reforms align to the Corporations Amendment (Professional Standards of Financial Advisers) Act 2017 and are set to raise the professional, educational and ethical standards for existing and new financial advisers. FASEA's policies specify code of conduct, compulsory attainment of base tertiary qualifications and approved educational pathways.<sup>1</sup> These reforms will impact a wide range of industry occupations which require the provision of financial and product advice,<sup>2</sup> including banking staff who provide advice and guidance to clients on financial products.

**Regulatory Reforms.** Announced in July 2017, the Banking Executive Accountability Regime (BEAR) establishes accountability obligations for authorised deposit-taking institutions (ADIs) and their senior executives and directors. The regime also establishes deferred remuneration, key personnel and notification obligations for ADIs.<sup>3</sup> The Banking Royal Commission further examined the banking, superannuation and financial services industry. Released in 2019, final report recommendations focus on governance, compliance, leadership, culture, service delivery and remuneration, all of which will increase regulatory oversight and have substantial implications for industry.<sup>4</sup> Edits to existing regulatory guidelines (such as *RG146 Licensing: Training of financial product advisers* and *RG246 Conflicted and other banned remuneration*) are yet to be determined by the Australian Securities and Investments Commission (ASIC) and are expected to shape significant change for the banking sector and the adjacent financial services they provide. Further regulatory change will impact the industry following the 2018 Productivity Commission's report on efficiency and competition in the superannuation industry and the current Royal Commission into aged care quality and safety.<sup>5</sup> The impact of these reports, reforms and pending regulatory guidelines is yet unknown but it is expected these will result in a tighter organisational and regulatory framework and have a significant impact on the banking and financial services industry in the future. Already, banks are making changes to improve customer service and earn-back trust, including the withdrawal of product sales commissions to retail bank staff, addition of dedicated customer advocates in banks to respond to arising issues and improve situations for customers when things go wrong, commitment to better protection and support for whistle-blowers, and better conduct and oversight of mortgage brokers.<sup>6</sup>

<sup>1</sup> The Financial Adviser Standards and Ethics Authority Limited, [Education Standard commenced 1 January 2019](#), viewed on 8 July 2019.

<sup>2</sup> *Wealthdigital*, [2030: Advice, investment and superannuation in a brave new world](#), March 2019.

<sup>3</sup> Australian Prudential Regulation Authority, [Banking Executive Accountability Regime](#).

<sup>4</sup> Australian Government, The Treasury, [Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry](#), 2019.

<sup>5</sup> Australian Government, Productivity Commission, [Superannuation: Assessing Efficiency and Competitiveness](#), Productivity Commission Inquiry Report, 21 December 2018.

<sup>6</sup> Australian Banking Association, [The New Banking Code of Practice](#), 1 July 2019 Release.



**The 2019 Banking Code of Practice.** In line with the reform agenda, the Australian Banking Association has released a new Banking Code of Practice to improve banking services and better meet community standards and expectations around ethical behaviour, fair and responsible lending practices and the protection of customer privacy. Approved by the Australian Securities and Investments Commission (ASIC), the Code is a set of enforceable standards that customers, small businesses, and their guarantors can expect from Australian banks.<sup>7</sup> By subscribing to the Code, participating banks are taking on greater responsibility and commitment to provide high standards of behaviour and service delivery and greater protection for all bank customers. An independent Banking Code Compliance Committee (BCCC) will work with ASIC and oversee compliance and enforcement of the Code, including formal requests around staff training in response to breaches found. The Code is binding on subscribers and is used by the Australian Financial Complaints Authority as a benchmark across the banking industry.<sup>8</sup>

**Technology.** PwC anticipates the banks of tomorrow will have rationalised their products and services, be smaller but more focused and better differentiated and more deeply connected to customers and their changing preferences. Technology will continue to provide efficiency gains and innovate distribution channels with a holistic, multi-dimensional approach to social media and engagement of staff, customers and business partners.<sup>9</sup> Banking is increasingly done 24/7 and in real time. Digital-enabled services and operations continue to be developed to meet personalised needs and add value to customers. Mobile and digital banking is set to continue transforming banking systems, supported by heavy investments in digital banking technology for mobile, web and digital platform use by customers for banking services.<sup>10</sup> Accenture point to distributed ledger technology, artificial intelligence, extended reality and quantum computing as tools which could reshape banking and deliver significant cost savings. A combination of digital demographics and flexible product configuration capabilities can tailor banking to the individual in real time. Machine learning, robotic process automation, Chatbots and digital account opening systems will continue to be integrated into mainstream systems and applications. Wearables such as smart watches are poised to become the future of the retail banking experience as technology continues to seek customer convenience.<sup>11</sup> We are already seeing innovative solutions being developed such as Bankwest's Halo ring<sup>12</sup> and P&N Bank's instant digital card technology<sup>13</sup> to enhance customer experience. These show how adoption and integration of robotics process automation is changing service roles, allowing staff to instead focus on adding value for customers. Job roles will continue to be affected by machine learning and cloud computing as banks increasingly automate their operations.

**Current Training.** Plummeting enrolments in Certificate IV in Banking over the past few years have signalled a shift towards other forms of training. The banking sector has combined use of VET qualifications with customised, internal and on-line training for on-boarding, initial training, up-skilling and to meet regulatory requirements, similar to Commonwealth Bank's use of the Certificate III in Finance as base-level training for retail banking staff. Uptake of Certificate IV and Diploma level qualifications by the banking sector has been in financial services, mortgage and finance broking, and leadership and management, reflecting the banks' broader service offerings and advisory roles. Recent regulatory changes and reforms are seeing organisations reviewing compliance, training standards and minimum expectations of competency. Some discussions are exploring minimum training standards for lenders and considering Certificate IV in Financial Services as a base qualification for their lending workforce. Overwhelmingly, discussions with industry point to new approaches to talent acquisition and an emergence of innovative training solutions better aligned to modern learning. The key is holistic learning which integrates training, work and product knowledge and enables the learner to continuously consolidate their learning into their workplace.

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<sup>7</sup> Ibid.

<sup>8</sup> Australian Banking Association, [The New Banking code of Practice Brochure](#), 2019.

<sup>9</sup> PwC, [Banking 2020: the future of banking in Australia](#).

<sup>10</sup> Go Banking Rates, [8 New Banking Technologies You'll See in the Next 5 Years](#), April 14, 2019

<sup>11</sup> Accenture, [Banking Technology Vision 2019](#), 7 May 2019.

<sup>12</sup> Bankwest, [Bankwest Halo](#).

<sup>13</sup> P&N Bank, [P&N Bank wins Pinnacle Innovation Excellence Award](#), 22 March 2019.



**Talent Acquisition.** Evolving work demands and skill requirements are creating a new capability frontier beyond a combination of technical and soft skills within a given role. Deloitte point to an emerging formation of *superjobs* which combine responsibilities from multiple traditional jobs and use technology to expand scope of work performed to encompass a number of work domains. These *superjobs* rely on increasingly complex technical and human skills, shifting the way companies are approaching talent acquisition.<sup>14</sup> Capability requirements are becoming so diverse that companies are finding it difficult to hire people with the relevant experience as well as the broad adjunct skills and capabilities being sought. This will see companies needing to look for people in alternative workforces and apply more flexible hiring practices towards those who have an aptitude and desire to learn in order to add value as the needs of the organisation change.

**Modern Learning.** A greater focus is also expected on mobilising and developing people internally for enterprise-wide moves between functions, jobs and projects. Companies are increasingly directing efforts into innovative work-centred learning programs through a range of flexible platforms for targeted skill set acquisition and shifting to build a culture that supports lifelong learning in a modern world. Seen as a shared responsibility, effort is being concentrated on motivating people at all levels to *take advantage of learning opportunities and a focus on helping individuals identify and develop new needed skills*.<sup>15</sup> Modern learning is becoming more personal and more integrated with work, consumed in smaller doses and more accessible formats. Technology such as cloud connected mobile and wearable devices, video, voice activation and augmented reality are enabling new approaches to real-time and virtual learning, giving people choice of how and when they learn. These tangible methods are shifting the way people view acquisition of learning and personal development. As they consume information and develop skills in the natural course of their work (both as individuals and in teams) barriers start to shift and they become more receptive to further learning and more able to transform their skills and capabilities to meet changing organisational needs, critical in a changing landscape. Banks can amplify workforce skills with new technology from learning platforms to artificial intelligence decision support, empowering new roles and new ways of working.<sup>16</sup> Discussions with industry locally exemplify this shift from traditional vertical structured training towards up-skilling and reskilling through blended bite-sized learning using different methods and technologies. Banks are transforming towards agile ways of working; some are maturing their businesses as learning organisations and changing employee mindsets on training and continuous learning. There is a strong push by some banks to grow business acumen of staff across all of their organisation and broadening people's awareness of roles and relevant skill sets to encourage self-directed learning and diversifying internal capability. Earlier this year Bankwest launched a 3-day Learnfest for staff to learn from subject matter experts, encourage consideration of sideways and diagonal internal opportunities, foster individual and group learning, and demonstrate innovative ways to acquire learning in small grabs applicable to their workplace. This cultural shift is driving greater curiosity towards self-directed learning and use of modern technology media platforms to acquire knowledge on the go.

**Cyber Security.** Increasing development and adoption of technology and automation, as well as digital and cloud-based services are directing industry focus on information security, data protection and privacy. Mitigating threats of financial losses, disruption and reputational damage due to malicious breaches of information systems continues to be a core focus and challenge for financial systems.<sup>17</sup> The Australian Prudential Regulation Authority (APRA) released a new standard late last year stating that boards of banks are ultimately responsible for information security. In light of this APRA is in favour of banks sharing intelligence and working collaboratively on growing cyber security threats to protect the national economy from online organised crime.<sup>18</sup> With more business partnerships and interconnectivity, a recent article points to a continued need for banks to improve cyber resilience and protection to include broader eco-systems.<sup>19</sup> As outlined in the recent Draft Industry Skills Forecast and Proposed Schedule of Work Draft (Financial Services), the increased use of big data analytics means maintaining privacy of confidential customer data will present risk factors for the sector.<sup>20</sup> The cyber

<sup>14</sup> Deloitte Insights, 2019 Deloitte Global Human Capital Trends, [Leading the social enterprise: Reinvent with human focus](#).

<sup>15</sup> Deloitte Insights, 2019 Deloitte Global Human Capital Trends, [Leading the social enterprise: Reinvent with human focus](#).

<sup>16</sup> Accenture, [Banking Technology Vision 2019](#), 7 May 2019.

<sup>17</sup> The Reserve Bank of Australia, [Cyber Risk](#), October 2018.

<sup>18</sup> Financial Review, *Banks must share cyber threat intel*: Byres, 16 March 2019.

<sup>19</sup> Accenture, [Banking Technology Vision 2019](#), 7 May 2019.

<sup>20</sup> PwC Skills for Australia, [Industry Skills Forecast and Proposed Schedule of Work Draft for consultation, Financial Services](#), April 2019.

security cross sector project will inform skill requirements around financial risk management, data protection and privacy.

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## Industry Workforce Priorities

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**Compliance and Change Management.** As new legislation and regulatory measures are proposed banks will require the expertise of workers who can research and respond to consultations, as well as those who can assess the impact of changes and assist organisations to respond appropriately. Given the level of disruption anticipated, the industry will require strong change management and leadership as policies and processes are reviewed, updated and rolled out. Ongoing changes to banking due to technology, increased regulation, diversification of services and delivery, emerging business models and growing customer expectations are seeing a move towards rationalisation, efficiency gains and cost cutting to offset reduced profit margins.<sup>21</sup> Media reports suggest significant retrenchments with CBA and ANZ looking to reduce their staff by up to 25%.<sup>22</sup>

**Single Touch Payroll.** Changes to tax and super reporting requirements (Single Touch Payroll (STP)) became mandatory for employers with 20 or more staff in July 2018, with SMEs coming on board since 1 July 2019. STP reporting requires salaries and wages, pay as you go (PAYG) withholding and superannuation information to be submitted to the Australian Taxation Office each pay run.<sup>23</sup> The implementation of payroll software to automate and streamline payroll reporting processes to ensure businesses are compliant with industry and legislative standards has transformed these operations within the finance and banking sectors. Challenges of the STP rollout to smaller businesses has prompted the ATO to examine how banks can support small employers with this transition. One solution explored the addition of an STP-compliant digital payroll reporting software to existing online banking infrastructure allowing employers to leverage existing business processes.<sup>24</sup>

**Workforce Development.** A 2019 global survey of CEOs identify a skills shortage amongst their workers as the third largest threat to their growth. As companies look to balance technology with person-to-person connection, people need to be able to adapt to a fast-changing work environment, be proactive in finding solutions, resilient to ambiguity and uncertainty. A rising leadership shift in hierarchy towards adopting a team model of engaging with each other is changing the traditional leadership culture and developing many leaders.<sup>25</sup> Heightened scrutiny on the banking sector and reports of unethical behaviour, poor practice and systems are altering industry practices, culture, leadership and regulatory oversight.<sup>26</sup> Report findings are pointing to a continued shift towards individual accountability across the financial services sector around compliance, ethics and risk management, previously seen as the responsibility of the organisation and senior staff.<sup>27</sup> These will have immense training implications. All individuals will need to understand regulations and manage risk in order to meet the rising standards of the sector.

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<sup>21</sup> The Australian Business Review, [Australia's big banks are losing their power](#), 24 July 2019.

<sup>22</sup> The Australian Business Review, [New government will have to deal with mass retrenchments](#), 24 July 2019.

<sup>23</sup> Australian HR Institute, [Tax and super reporting requirements to change for small businesses](#), 18 March 2018.

<sup>24</sup> Smart Company, [ATO negotiates with big banks on single touch payroll solution as more than 300,000 SMEs lag behind](#), 14 February 2019.

<sup>25</sup> Business News, [Time team human put tech to work](#), 5 April 2019.

<sup>26</sup> PwC Skills for Australia, [Industry Skills Forecast and Proposed Schedule of Work Draft for consultation, Financial Services](#), April 2019.

<sup>27</sup> Australian Government, The Treasury, [Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry](#), 2019.



**Demand.** Professionals working in lending require strong customer service, communication, relationship management and stakeholder engagement skills.<sup>28</sup> Companies are placing a growing emphasis on a balance of technical and soft skills to fit their teams, including high levels of empathy. Hays is seeing a massive spike in demand for risk and compliance professionals in response to regulatory reforms seeing organisations becoming more accountable and transparent.<sup>29</sup> Despite a number of the big banks announcing the sale and demerger of their wealth management businesses, wealth management is seeing demand focus on suitably qualified advisors who meet FASEA's new educational requirements.<sup>30</sup>

**Shift to Distribution Channels.** Anecdotally, with increasing automation of processes and a digital-first approach, banking organisations are shifting focus from sales to distribution channels. So while in the past front-line banking roles drew on candidates with retail experience (valuing their customer service skills) they are now more focused on attracting candidates with technical skills and hiring for attitude, agility, curiosity and fit, confident they can build people in the specific technical and product aspects of the roles. As banks continue to expand agile ways of working and embrace cross-functional teamwork for customer outcomes, they seek flexible, capable team players with high levels of communication to enable more complex conversations and solutions. Mobile banking and the demand by clients for touch points across their preferred channels will require banks to engage staff and consultants with strong marketing expertise and digital strategy skills to maintain systems and assist clients navigate and utilise digital banking tools.

**Multi-Skilled Flexible Workforce.** Coupled with worsening public perception of the industry as evidence of unethical behaviour, poor practice and systems continues to flow from the Commission and other investigations into the financial services industry more broadly, banks face an uphill battle to regain public trust. In addition, investigations, such as ASIC's probe of NAB's superannuation fees are further eroding public trust, and resulting in some banks having to refund tens of millions to clients. As banks seek to regain public trust, deal with increasingly disenfranchised clients and re-work retail roles into more holistic, relationship-focussed positions, they are depending on strong skills in relationship building, client needs analysis, emotional intelligence, technical capability and resilience to the changing pace and ways services are delivered. Mobile banking continues to impacting the demand for branch staff, some of whom are being re-trained into other roles within the organisations. The banking industry will continue to re-shape roles in the face of increasing digital service provision, automation, regulatory imposts and changing client expectations. New technologies, artificial intelligence and blockchain are expected to result in bigger job cuts over the next decade,<sup>31</sup> making continued skills development critical. Industry will need a workforce capable of supporting change through continuous learning as specific skills needs, knowledge acquisition and processes shift.

**Training Package Development.** PwC Skills for Australia (the Skills Service Organisation acting on behalf of and under the direction of the Financial Services Industry Reference Committee) has identified a significant number of units of competency which will be affected by changes to guidance and regulation regarding the provision of advice in financial services. These will span VET qualifications and occupational skill requirements across: financial planning; banking and lending; customer services, sales and industry advice; financial markets; risk management and superannuation. In this light, they are currently conducting a risk management and compliance project to ensure current VET qualifications meet industry needs. This will include the development of a skill set for up-skilling purposes to assist the transition into risk or compliance officer roles. Similarly, they recently developed a business ethics and conduct skill set to meet the changing needs of industry. However, while vocational qualifications have the potential to provide learners with pathways to higher education and opportunities for skill top-ups,<sup>32</sup> the relevance of certain qualifications within the Financial Services Training Package for industry appears to be diminishing (unless required by the regulator).

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<sup>28</sup> Hays, [Banking: Lending Hotspots of skills in demand](#).

<sup>29</sup> Hays, [Banking: Risk & Compliance Hotspots of skills in demand](#).

<sup>30</sup> Hays, [Banking: Wealth Management Hotspots of skills in demand](#).

<sup>31</sup> The Australian Business Review, [New government will have to deal with mass retrenchments](#), 24 July 2019.

<sup>32</sup> PwC Skills for Australia, [Industry Skills Forecast and Proposed Schedule of Work. Draft for consultation: Financial Services](#), April 2019.



*Vocational Education and Training.* Evidence suggests a pending trend away from VET. Despite some consideration of Certificate IV in Financial Services potentially being adopted as a base requirement for lenders by a bank, a greater focus is being directed towards alternative forms of training and tertiary qualifications. The onset of mobile lending and growing automation of services has reduced the number of front line retail workers in the banking sector who typically have been the ones undertaking the Certificate III in Finance. Further disruption is anticipated following FASEA's minimum tertiary education mandate. Under their reform, new and existing advisers are required to have completed or complete an approved undergraduate or post-graduate financial planning qualification. Current vocational pathways will not satisfy FASEA's requirements, limiting the role of vocational qualifications in skilling anyone who is providing financial product guidance and advice in the finance and banking sectors. Similarly, recent scrutiny on the banking sector and broader pending reforms are creating a competitive training market. In response to the Royal Commission, Financial Services Institute of Australasia (FINSIA) is developing courses for the banking industry. Positioned outside the AQTF, these include Professional Banking Fundamentals and Certified Professional Banker courses which have the potential to further secure industry preference away from the existing Certificate IV and Diploma courses serving the banking industry.