

City should brace for regulatory “tsunami” warns pre-employment screening company Powerchex

The credit crunch and bank bailouts are forcing an “about-turn” by the FSA from principles to rule-based regulation.

London, October 17, 2008. FSA chairman Lord Adair Turner warned the City that the days of soft-touch regulation are over. Turner admitted that the regulator ‘had been doing supervision on the cheap’ and said banks and insurance companies would have to pay higher fees as the FSA brings its supervision teams up to scratch.

‘We are going to have to do supervision at the quality that is required to do it really well. If that means the total cost has to go up somewhat then it has to go up,’ he told the FT in an interview today. “There will be more people asking more questions and getting more information than we were getting before” Turner said. “There is no doubt the touch will be heavier. We have to make sure it is intelligent and focused on where the risks really are.”

As part of a thematic review on financial crime, the FSA is currently in the process of visiting some 200 firms, both large and small, to assess the adequacy of their procedures. They expect to see comprehensive crime prevention procedures in place.

“Risk-based pre-employment screening has been on the FSA’s radar since the publication of their Data Security Report 2008 last April” says Alexandra Kelly, Managing Director of Powerchex. “We expect that the FSA will be looking at firms’ vetting practices as part of this review”

Findings from previous visits has showed that many firms allow new recruits to access customer data before vetting has been completed and it is common practice for temporary staff to receive less vigorous vetting than permanently employed colleagues.

“The financial crisis of the past 15 months means that the FSA has been freed from the charge that it was stifling the City with bureaucratic controls” said Lord Turner. “We are now in a different environment” he concluded.

In the weeks and months to come City firms will need to be prepared for a “tsunami” of new regulations imposed by the heavy hand of a regulator that is rapidly abandoning principles in favour of rules. Firms must take a close look at how they run their affairs and they ought to make sure that they adhere closely to the FSA’s best practices.

ENDS-

NOTES TO EDITORS:

About Powerchex

Powerchex is the UK’s premier pre-employment screening firm for financial institutions. Based in the City of London, Powerchex checks the background, employment history, criminal records and professional qualifications of applicants on behalf of financial institutions. It sets the industry benchmark of 5 days for a background check.

www.powerchex.co.uk.

Hassan Butt
hbutt@powerchex.co.uk
0207 767 2434