

The banking and finance oath

DAVID BELL

With banks worldwide on the reputational back foot after the fallout of the GFC, the establishment of the Banking and Finance Oath, which can be taken on a voluntary basis by finance industry workers in Australia, is timely.

Unsurprisingly, moves by politicians and regulators in many countries to increase the regulation and surveillance of the financial services industry has led to much soul-searching. How can the financial services sector deal with poor public perceptions and, at the same time, avoid having to comply with costly regulation that is ultimately paid for by the community in more expensive services and red tape?

Generally, Australian bankers did not get involved in the excesses that led to the GFC; rather it was the actions primarily of American and European banks, aided and abetted by poor regulation and, on occasions, the lack of adequate official supervision, that caused the problems. In Australia, there are strong and effective laws and mechanisms to regulate the industry and protect the rights of bank customers. However, this does not mean that Australian industry leaders don't want to do even better and also avoid the problems that you hear about banks and other financial service providers from time to time.

Visiting American-based philosophy professor, Kwame Anthony Appiah, correctly observed in a recent ABC Radio interview that banks' behaviour is regulated by the market and a strong body of law, and enhanced by a culture where doing the right thing is respected. He said that this was particularly important when there was an imbalance of knowledge between bank and finance workers and their customers, particularly given the highly technical nature of the business. Re-establishing a 'creed of honour,' as so aptly put by Appiah, is an important part of restoring the standing of banks and the financial services sector throughout the world.

So how can this be achieved? In Australia, we have taken a leadership approach. A group of very senior finance leaders and executives have come together to propose that finance workers commit voluntarily to the Banking and Finance Oath (BFO). The Oath affirms respect for the position of trust that society gives to banking and finance workers.

The Oath commits the signatory to:

- serve all interests in good faith
- compete with honour
- exercise ethical restraint
- create a sustainable future
- help create a more just society

- speak out against wrongdoing
- accept responsibility for one's actions
- live by the creed that 'My word is my bond'.

For the Oath to be effective, it is critical that finance workers voluntarily take up this call to action. Excessive top-down pressure will result in people feeling compelled to sign up without genuinely committing to the Oath. This could lead to banking and finance workers 'paying lip service' to what is a very important personal commitment. At the same time, finance industry leaders should themselves consider the symbolic and real importance of taking the Oath—by their example others will follow.

To add rigour to this process, the Oath will be properly administered with appropriate governance and transparency by an entity called the Banking and Finance Oath Limited. The behaviour of signatories to the Oath is actively monitored by this entity and an individual's conduct can be reviewed with proper rights of appeal, the ultimate sanction being removal from the register of signatories.

Banking and Finance Oath Limited is properly constituted as a limited liability company and its Board has many industry leaders who are prepared to put their own reputations on the line. The process itself has been guided by St James Ethics Centre, which remains involved in the ongoing governance and administration of the scheme, adding further credibility to this important initiative.

In my time at the Australian Bankers' Association and Westpac, I only ever saw a strong commitment by banking leaders to do the right thing by customers, the community, shareholders and the many other banking stakeholders. I also participated in many discussions about how to raise the standing of banks in Australia and the world. I recognised the genuine concern and desire for the most senior bankers to continue to build the community's trust in their industry. This Oath now gives banking and finance workers the chance to stamp their own personal commitment to building this trust, and I look forward to its success. ■

David Bell is the former CEO of the Australian Bankers' Association. He recently resigned from Westpac and consults to business. He is a member of the Board of the BFO thebfo.org