

The suggestion that there should be a royal commission into the banking & finance industry has struck a raw nerve with many people. Some relish the thought of a spotlight being shone onto the 'big end of town'. Too often, it is thought, the rich and powerful escape sharp scrutiny of a kind reserved for the less privileged. The flavour of the current debate is laced with a discernible dose of revenge in anticipation of 'evening of the score'.

For others, a royal commission presents an opportunity to test their lingering suspicion that the banks' extraordinary profits have been built on the backs of 'battlers'. The hope is that a royal commission will make people feel safe enough to come out of the woodwork to tell their stories of exploitation – with all of the unsavoury details finally revealed to the world. The hope is that 'sunlight' will prove to be 'the best disinfectant'.

Finally, there are some who will view the question of a Royal Commission through a purely political lens. This has happened already – with the contest between the attitudes of the Coalition and Labor being caught in the phrase 'top hats versus hard hats'.

As we have seen in the case of the Royal Commission into Institutional Responses to Child Abuse, the public airing of unethical conduct can be essential to the wellbeing of individuals and the community. It's not just the cathartic benefits of revelation. Nor is it the cleansing effect of 'sunlight'. Royal Commissions of this kind also provide an opportunity for the community to consider profound questions to do with the type of society we wish to be.

All of that said, the test we need to apply is not whether the public would be interested in the revelations that would almost certainly emerge from a royal commission into banking & finance. Of course we will! Rather, we must ask if such an exercise will be in the public interest. The answer to this question has little to do with the relative cost of such an undertaking. If such work is necessary, we should shoulder the burden.

That's the biggest problem for advocates of a new royal commission – what they propose is not strictly necessary.

As things stand, the principal regulators – the ACCC, APRA and ASIC – between them have all the powers of a Royal Commission (and then some). It is a fundamental part of the design of Australian markets that market integrity be preserved by what is, in effect, a standing Royal Commission. Unlike a Royal Commission, most of what is done takes place behind closed doors – meaning that the community doesn't see the extraordinary diligence with which the regulators go about their work.

This is as it should be. Except in cases of criminality, it is often better to work quietly to identify and fix problems rather than splash them across the news. There's little virtue in grabbing a headline if you leave the world no better for it.

Nor does the community see the measures now being taken by banks to address the underlying cultural issues that are at the heart of recent scandals. The banks' attention to cultural issues has come 'just in time' (and in a few cases – too late). And there are still pockets of resistance to the idea that companies need to address fundamental ethical questions – and make real changes – rather than just add another layer of formal compliance obligations. But the change has started to happen.

Unfortunately, I doubt that many people will believe this – even though it is true. The financial services industry has squandered so much of the trust on which it must rely that the public is only inclined to believe the worst of it. This was predicted years ago – and the erosion of trust could have been prevented. However, the industry's leaders have been just too slow to move.

For example, the [Banking + Finance Oath \(BFO\)](#) was developed at the height of the global financial crisis as a potent response to the public perception that the industry has an ethical 'hole' at its centre. Its core idea was that people in banking & finance should make a voluntary, public and personal commitment to an ethical foundation that could be shared across the industry. The Oath was designed to be applicable to people in retail banking, investment banking, funds management, insurance – right across the board. It was not meant to replace the ethical frameworks that ultimately shape the cultures of corporations. It simply spoke of the individual's personal commitments – whatever corporation they might work within.

If only more people in banking and finance had made such a personal commitment – then the context for this discussion might have been very different.

On balance, the issue boils down to this – what will inspire public confidence in a decision not to proceed with a new royal commission?

Part of the answer to that question lies in the hands of the bankers – who must make a significant, practical commitment to getting their ethical houses in order. This cannot be mere rhetoric – but must involve public and verifiable commitments to real action at the level of systems, policies and practices, all of which can be done if the will is there.

The other part of the answer lies with government – it must ensure that the regulators have not just the power – but also the resources – needed to regulate this vital industry in the public interest. After all, there's not much having the legal capacity to act if you lack the resources to do so.

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