

The ethical obligation of super

The superannuation sector and the financial advice industry more generally must balance the instinct to compete with a proper regard for the public interest, argues Dr Simon Longstaff, executive director of the Ethics Centre.

The Ethics Centre and the Board of the Banking & Finance Oath (BFO) have been working with a number of industry partners, including Finsia, to develop a common program for 'ethical literacy' across the financial advice industry.

Australian Prudential Regulation Authority (APRA) chairman Wayne Byres, outgoing ANZ Australia CEO Phil Chronican and Finsia CEO and managing director Russell Thomas are among over 300 people to have taken the oath so far.

'Extraordinary ethical implications'

The Ethics Centre acts as an independent advisory to the BFO – which was drafted by Longstaff – and is currently calling on financial advisers, fund managers and those in the superannuation industry to become signatories.

"There are extraordinary ethical implications in Australia's approach to superannuation," said Longstaff.

"Successive governments have made it compulsory for wage earners to forego access to part of their salary; directing that it be invested in funds that are, for the most part, run by the private sector – and with no government guarantee that even a cent of the monies invested will be available to the contributor on retirement."

Nor is this a responsibility that can simple be handed over to the Australian Securities and Investments Commission (ASIC) or any other regulator.

"The moral obligation that arises from such a policy is a burden that ASIC should not, and must not, be left to carry alone. Instead the wider industry engaged in advising on, investing and managing the nation's savings must share the load – cooperatively and as a whole," said Longstaff.

"Thus, superannuation (and the financial advice industry more generally) is one area where the instinct to compete must be tempered by a proper regard for the public interest."

Solid ethical foundations

It is for this reason that the Ethics Centre and the board of the BFO have been working with a number of industry partners to develop a common program for 'ethical literacy' across the financial advice industry.

"The whole system of Australian superannuation depends on a large measure of trust," said Longstaff.

"Trust of the kind needed cannot be earned through mere compliance with rules and regulations imposed by others. Instead, prudent regulation (and Australia has some of the best in the world) needs to be complemented by a solid ethical foundation adopted and applied by the industry as a whole.

"In this sense, the reputation of the whole is only as good as the substance of its parts. We applaud the decision by many industry leaders to support the development of a common ethical framework upon which a competitive industry can be built."

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Article Posted: May 11, 2015