

FINANCIAL REVIEW

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Bankers' refusal to sign oath is eroding trust amid incidents, says John Laker



John Laker says the constant stream of banking incidents is eroding trust in the industry. Steven Siewert

by **Joanne Gray**

A "slow-drip torture of incidents, events and court cases" are eroding trust in the banking industry, says John Laker, the chairman of the Banking and Finance Oath board and former chairman of the banking regulator.

Not signing the Banking and Finance Oath was a "missed opportunity" for senior banking and finance executives to act as role models for ethical behaviour, he said. The BFO was devised after the global financial crisis by senior bankers who were "concerned about serious loss of reputation" they saw in the industry, said Dr Laker.

"I would not want to be seen as casting judgment on those who look at the oath and choose not to sign it, but it is an opportunity missed," said Dr Laker, who retired as chair of the Australian Prudential Regulatory Authority in 2014.

"It articulates what your standards are and what you will do to give effect to being ethical. It's a way you can be held accountable by peers, stakeholders and other signatories. The missed opportunity is to articulate what it means when you say you are ethical.

"The erosion of trust and the impact on individuals is very disappointing. Livelihoods have been affected. There has been an erosion of trust, and once it is lost it is hard to regain, so it's critical that all parts of the industry work to build trust. The community has high expectations of the industry and there's work to do to meet those expectations. At the individual level the oath can provide momentum that core ethical foundations are being reinforced."

Australia's top bankers are divided over whether they should sign the BFO. After he was asked on a conference call with equity analysts whether he and Westpac executives would sign the oath, Westpac chief executive Brian Hartzler said: "We support the notion that the community has a right to expect high standards of

behaviour from banks and from bankers. The question of whether one goes down a particular PR initiative is another question."

'NOT DRAWN UP BY A PR COMPANY'

Westpac chairman Lindsay Maxsted said the BFO could be seen as just "tokenism" and doesn't change how individuals behave. Commonwealth Bank chairman David Turner said signing the BFO was like asking "When did you stop beating your grandmother", and there was no need to sign a document to state that an individual would behave ethically. ANZ chairman David Gonski says he has not yet formed a position on whether to sign the oath, while NAB's chief executive, c-suite executives and chairman have signed it.

Dr Laker said the BFO was not intended as a public-relations stunt.

"It was never intended in a glib sense as a PR exercise. It is a public mechanism, you go on the record when you take the oath so it is a public affirmation of the values by which you will conduct your affairs. The founders of the oath are men and women in the banking and finance industry who think the reputation is being steadily corroded.

"They wanted to say we care about this industry, we see the inherent good in the industry and we want to take a stand to reassure the public. It was not drawn up by a PR company.

"I am more mindful of how serious the erosion of trust has been in other countries and the founders think this is not the Australian industry. It has inherent strengths – it's fundamental to the Australian community and economy but can only operate effectively with trust. It was never intended in a glib sense as a PR exercise."

Mr Maxsted recently told BOSS magazine that he did not believe there was a culture problem in the banking industry. Dr Laker said "that's the "view from the cockpit. There could be a long distance between the customer and the boardroom".

Dr Laker said he had heard that some bankers had been advised by lawyers not to sign the oath for legal reasons, even though the oath does not create any legal obligations. Almost 1000 finance industry employees have signed the BFO.