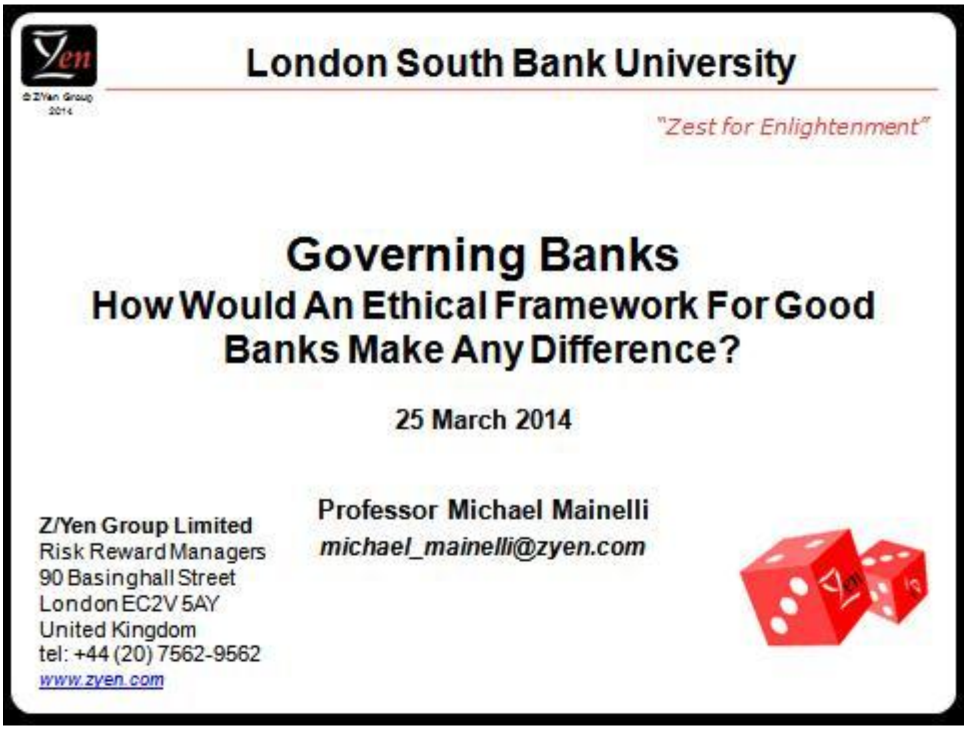
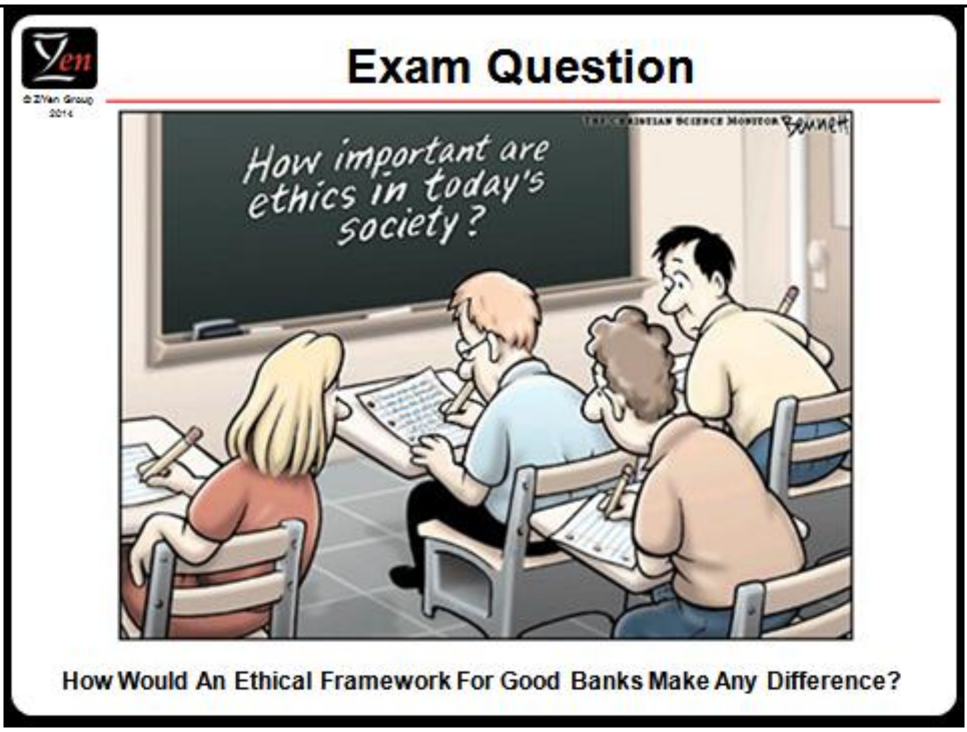
Governing Banks
How Would An Ethical Framework For Good Banks Make Any Difference?

Professor Michael Mainelli, Executive Chairman, Z/Yen Group
25 March 2014
London South Bank University



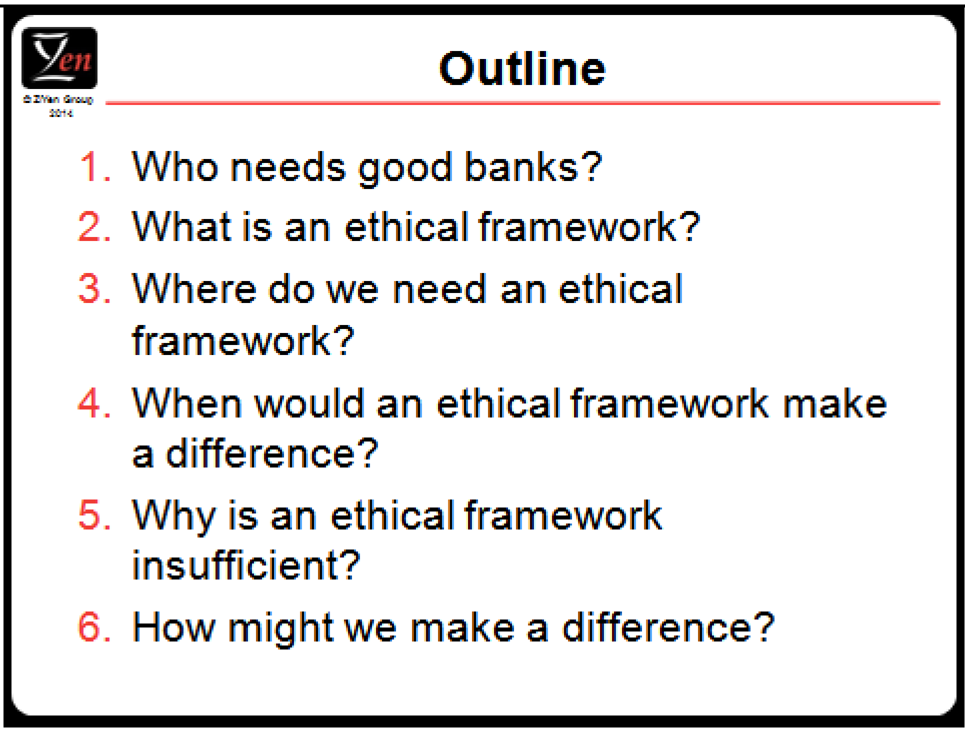
In a UK with a few new banks, some start-ups, some carve-outs, Michael Mainelli explores the 'good' bank. His thinking starts with "why build an ethical framework if there are no ethical questions to answer?" What questions are worth pondering before seeking to set out an ethical framework or set of principles. "Is free banking ethical?" "Should banks quote APR on overdrafts?" A Good Bank needs to be operationally good, i.e. a commercially successful vehicle for shareholders and other investors, as well as ethically good, i.e. acting correctly towards mankind. These two forms of good might be in opposition. Perhaps the biggest dilemma in providing an ethical framework is ascertaining the role of competition in such a framework. Ethically, it may be essential for a bank to promote increased bank competition.



Introduction

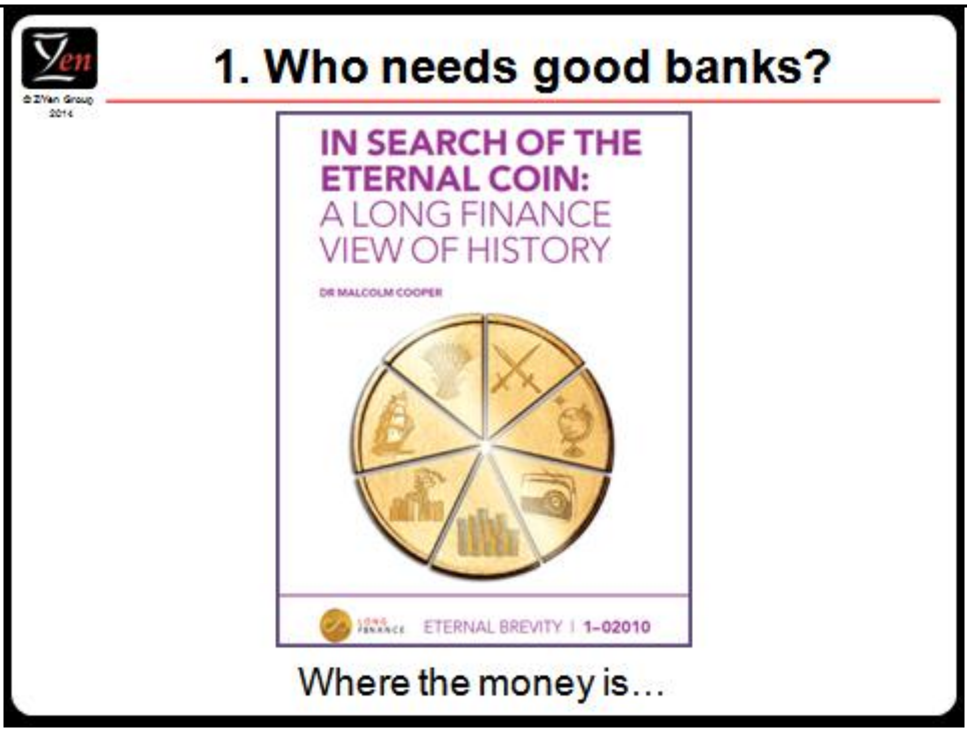
This afternoon, I'm reminded of the philosophy student who tells his friends about the winning strategy he used to pass his ethics exam, "I cheated". For this lecture I intend to cheat by reusing some interesting work from last year. During the summer a client asked my firm, Z/Yen Group, to explore how to create an ethical framework for a good bank. In the course of the work I realized two things I'd like to share with you. One, building such a framework is harder than it looks. Two, a framework is only as good as its environment.

The outline of my talk is set out in seven questions:
- who needs good banks?
- what is an ethical framework?
- where do we need an ethical framework?
- when would an ethical framework make a difference?
- why is an ethical framework insufficient?
- how might we make a difference?



I am not a banker, though I've worked in the City with and for banks over three decades. I am not an ethicist, though I'm not sure that professional qualifications are needed to discuss ethics. In fact, while I'll liberally steal tonight from many thinkers, I shall attribute one quote about how I normally feel on ethical discussions to cartoonist Darby Conley, "Ethics are so annoying. I avoid them on principle." I am just a concerned businessman prepared to make suggestions towards a fairer, more sustainable financial system. You can judge later whether my suggestions might move us towards that goal. Since 2005, with my colleague Ian Harris, we have funded Long Finance, an initiative directed at answering the question – "when *would* we know our financial systems is working?". There are many more suggestions among this sizable community about reforms that might make a difference to that question – www.longfinance.net.

Who Needs Good Banks?



The bank robber Willie Sutton is alleged to have remarked that he robbed banks, "because that's where the money is". As banks are about money, we have to begin by defining money. Money is a technology that communities use to trade debt. People in government created communities trade tax debts. Government monies are 'backed' by the certainty of future taxation, in turn based on future wealth and productive use of land. Government itself creates a semi-coercive community. If you don't believe the strength of that coercion, government's monopoly of the use of force, test it by telling HMRC you're not feeling British and won't be paying your taxes until you're back in a more community-minded British mood. You'll be joining a new community fairly rapidly, with iron bars for curtains.

Now, all firms handle money, not just banks, so we have to understand what makes banks special. The Wikipedia definition is "A bank is a financial institution and a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly by loaning or indirectly through capital markets. A bank links together customers that have capital deficits and customers with capital surpluses." Banks are businesses that make money by facilitating financial transactions. These transactions range from basic payment services, to packaging savings and loans, to corporate funding on capital markets, to mergers & acquisitions. So far, under these definitions any business could be a bank. My firm can lend money if we wish, hold money for others if they wish, facilitate payments, etc. But my firm is not and cannot legally be a bank.

A lot of definitions focus on banks being licensed to take deposits, but actually the big distinction between banks and other firms is leverage. Leverage is the ability to lend more than you have on deposit. My firm would probably be declared insolvent if we had a balance sheet resembling a bank's. Post 17th century banking is described as fractional reserve banking, another way of saying you can lend more than you have on deposit. Banks are allowed to create money. This ability to make money gives banks unprecedented access to fundamental elements of society, trust and credit. From this special access to trust and credit arises banks' special ethical obligations.

Trade and credit are important throughout society. Morrison and Wilhelm wrote a wonderful book, Investment Banking: Institutions, Politics, and Law (2007), in which they argued that “Investment banking became necessary because the informational demands of the capital markets were too complex to be met through the type of arm’s-length contracting that the courts can enforce.” Society wants banks to unleash the power of credit. Walter Bagehot, writing in 1873 about Lombard Street, celebrated lending and bankers’ their special privilege, leverage:

“A million in the hands of a single banker is a great power; he can at once lend it where he will, and borrowers can come to him, because they know or believe that he has it. But the same sum scattered in tens and fifties through a whole nation is no power at all: no one knows where to find it or whom to ask for it.”

Yet Bagehot also recognised the danger:

“But in exact proportion to the power of this system is its delicacy I should hardly say too much if I said its danger. … If any large fraction of that money really was demanded, our banking system and our industrial system too would be in great danger.”

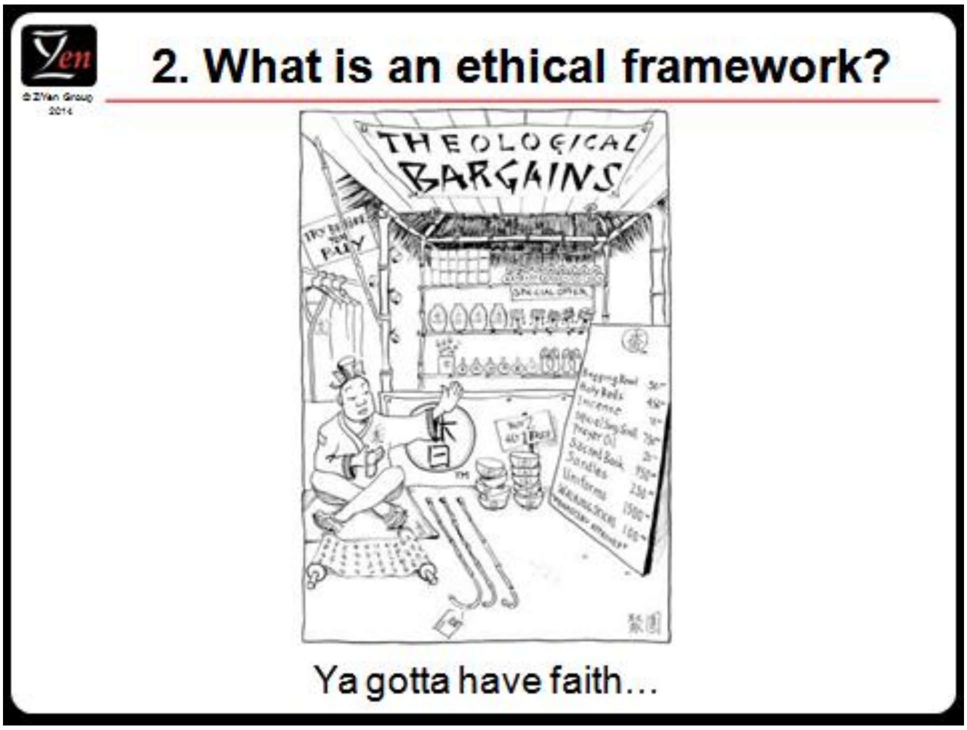
This happened in the UK in 2007 and 2008 on both the wholesale investment banking markets and the UK retail banking markets. Some economists, and I have sympathy with this, wonder if the Faustian bargain of giving banks credit should be removed in order to avoid the inevitable busts. These proposals have a number of forms, non-fractional reserve banking, narrow banking, or my favourite for consideration, insured utility banking (see Mainelli and Manson, 2011). While many of these proposals would lead to the supply of credit being set more directly by the supply of government tax credit, they are unlikely to remove boom and bust completely. Credit is a delicate, hair-trigger device, very sensitive to levels of confidence in the economy.

A good bank needs to manage ‘mistrust’ as well as be trusted. While regulation is rarely a good approach for developing trust, society has such an intense interest in good banks that it is no wonder banking is so heavily regulated. A good bank needs to be operationally good, i.e. a commercially successful vehicle for shareholders and other investors, as well as ethically good, i.e. acting correctly towards mankind. These two forms of good might be in opposition. For example, many conventional norms in banking may not be ethical. In the IT industry they say, “If you're not paying for the product, you are the product”. I have a few quibbles with how this statement is often used, but if it does one thing well it’s to emphasise the importance of following the money. In the UK, ‘free banking’ is the norm, though it’s hardly free, just that the charges are hidden within poorer deposit returns. UK banks begin their customer relationships with a lie. Banks make money from ‘free’. You are the product. But a good bank that offered ‘cost-based banking’ would be hard to sell in the UK. A more ethical approach might be to say ‘no charge at this time’ banking.

Across a wide range of probable scenarios, being less operationally good may permit being more ethically good. Governments are rarely shy about telling banks how be better, for example in the USA telling banks to lend to people to buy unaffordable homes, or in the UK to lend to small and medium-sized enterprises because they are small and medium-sized. Scenarios do exist though, where an ethically good bank may need to cease trading or even close itself down, for example funding companies engaged in products used for genocide.

Risk/Reward Managers
90 Basinghall Street
London EC2V 5AY
United Kingdom
tel: +44 (020) 7562-9562
fax: +44 (020) 7 628-5751
www.zyen.com

What Is An Ethical Framework?



Bur regulation is not ethics. The Banking Act 1979 formalised the Bank of England's supervisory role over banks. During the 1980's the UK began to introduce a new financial regulatory system. A particularly interesting period in UK financial services regulation was of 'self-regulating' from 1986 to 2000. Financial services deregulation in the early 1980s led to many new retail investment products and more small investors. The lifting of exchange controls and increasing internationalisation of London's financial markets led to numerous new exchanges and clearers.

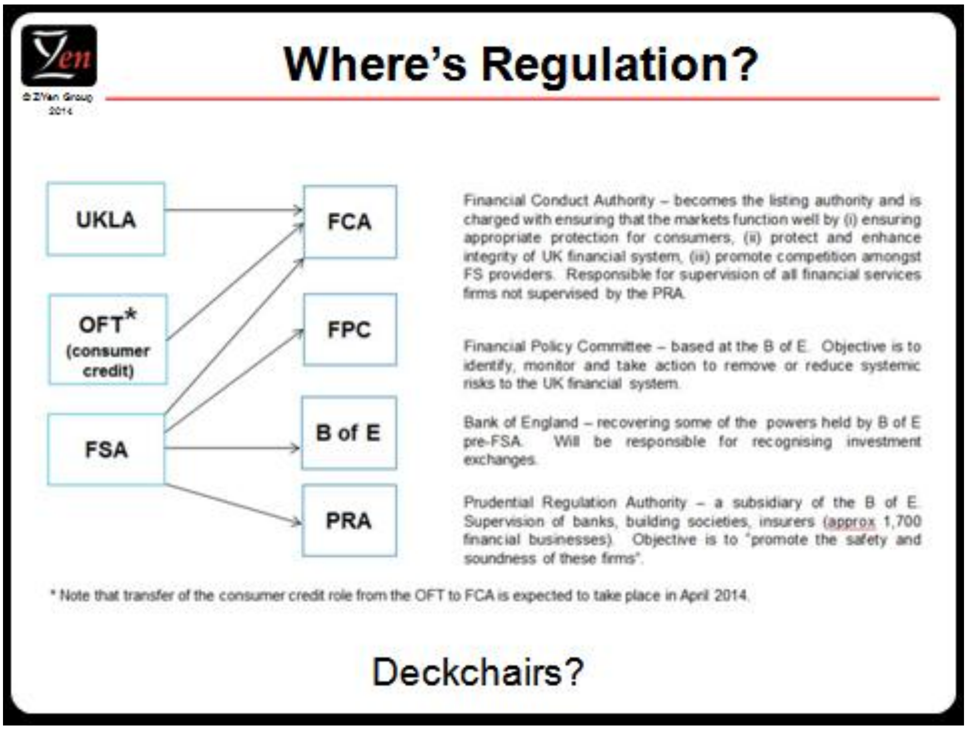
The Financial Services Act 1986 Act mixed government regulation and self-regulation. A number of perceived regulatory failures, e.g. Maxwell pension scandals (1991), Bank of Credit & Commerce International failure (1991), and Barings Bank failure (1995), was blamed on the separation of regulatory functions and led to a commitment to a unitary single-tier regulator. Meanwhile, the EU Investment Services Directive 1993 (ISD) imposed some capital and reporting requirements upon managers on an EU-wide basis which interfered with pure self-regulation. A new UK government in 1997 gave independent monetary policy-making to the Bank of England and turned to overhaul financial services regulation.

The Financial Services and Markets Act 2000 set up the Financial Services Authority (FSA) in 2001. This combined the idea of a single regulator for financial services – banking, insurance, and investment - and a focus on 'principles-based regulation'. The FSA had four statutory objectives supported by a set of principles of good regulation. The objectives were:

- market confidence (maintaining confidence in the UK financial system);
- public awareness (promoting public understanding of the financial system);
- consumer protection (securing an appropriate degree of protection for consumers);

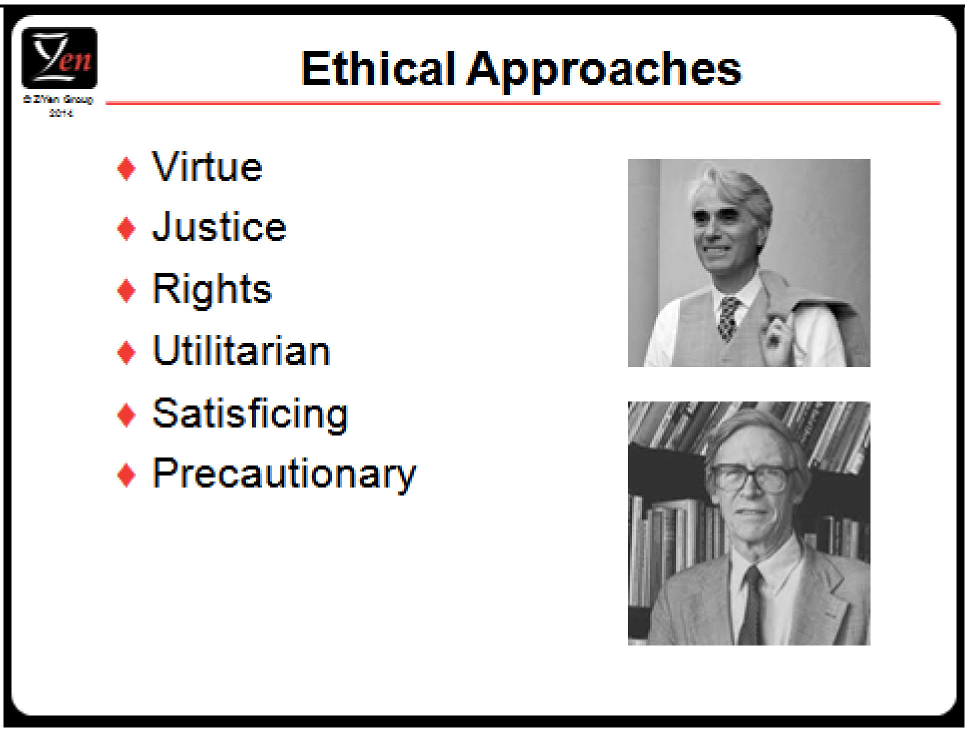
- financial crime reduction (reducing the possibility of regulated businesses to be used for purposes connected with financial crime).

We shall return later to the missing objective – "Competition and competitiveness to be statutory objectives of the FSA" – as pushed hard, yet unsuccessfully by Andrew Tyrie in 1997. [McElwee and Tyrie, 2000] The FSA did not ignore ethics. In October 2002, it published "An Ethical Framework for Financial Services", commendable, though basic. Their ethical framework set out three core values, "open, honest, responsive and accountable", "committed to acting competently, responsibly and reliably", "relating to colleagues and customers fairly and with respect".



Woody Allen jokes that "There are two types of people in this world, good and bad. The good sleep better, but the bad seem to enjoy the waking hours much more." Well ethics is not just about a good night's sleep. Ethics is the discipline of helping us decide how to act towards other beings and nature. Ethics should transcend feelings, religion, law, science, customs & practices, yet not be distinct from them. When discussing ethics we immediately encounter the fundamental problem of trying to find a suitable base for a set of rules.

I might point to the Code of Hammurabi as one of the oldest known set of rules. We can look for some basic guidance, such as the reciprocity of the Golden Rule in either its negative form, "One should not treat others in ways that one would not like to be treated" (sometimes known as the Silver Rule), or its positive form, "One should treat others as one would like others to treat oneself". Google tries to be even pithier, "Don't be evil". The Institute of Chartered Accountants of Scotland stated their "clear concern that rules-based accounting standards have no future in the preparation of financial statements which aim to serve the public interest." Ethics comes from within, not from south of East Anglia. So while ethics is part of the principles versus rules debate, it is also apart from that debate. [though it remains a lively debate, see Shields 2006]

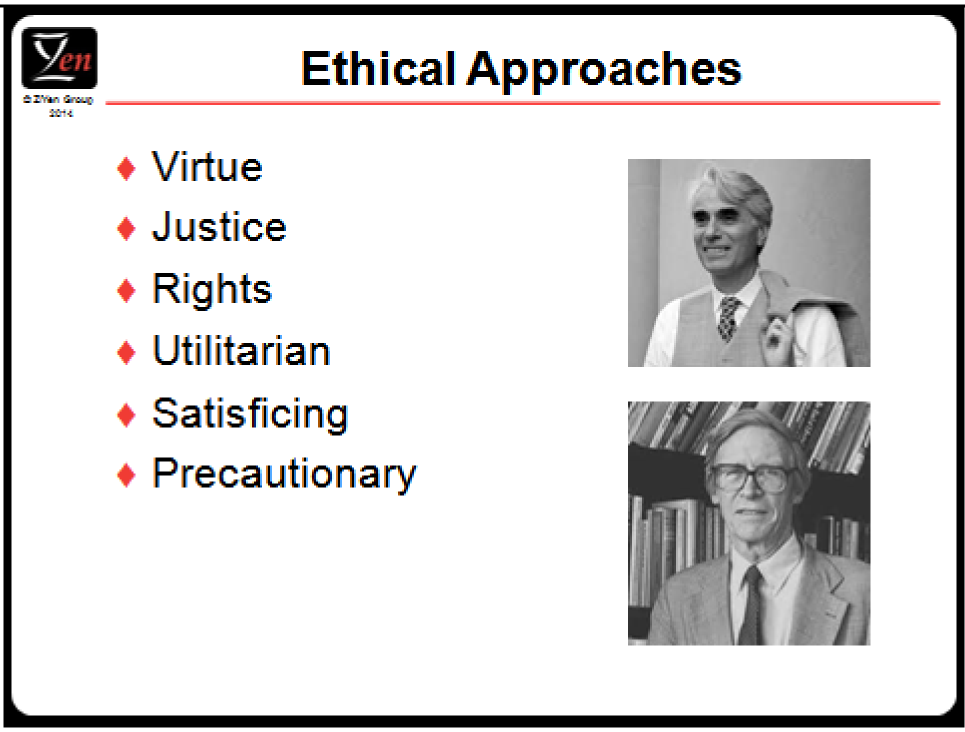


This lecture will not try to teach ethics to ethicists, nor get drawn into Deuteronomy or other ancient texts. That said, I do want to note quickly some of the more lasting approaches:

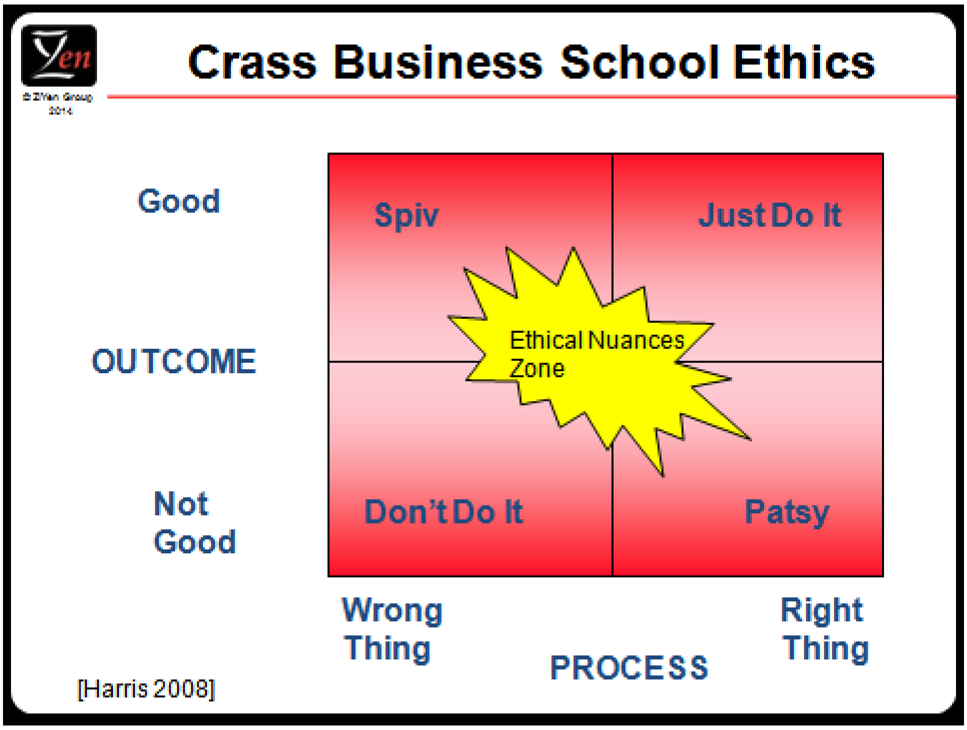
- A '***virtue***' approach starts by setting out virtues (e.g. goodness, honesty, courage, compassion, generosity, tolerance, love, fidelity, integrity, fairness, or prudence) and then seeing if a particular course of action fits with acting our best yet adhering to a primary virtue.
- A '***justice***' approach attempts to treat people equally based on a social contract, popularised by Rawls in the modern era as an 'original position' (principles that form the basis of a good society) made behind a 'veil of ignorance' (rational and impartial decisions without reference or favour to particular individuals).
- A '***rights'*** approach attempts to set out a certain set of basic rights and draw case-by-case conclusions that respect those rights.
- A '***utilitarian***' approach focuses on providing the most good or doing the least harm to the greatest number.
- A '***satisficing***' or 'common good' approach looks to actions that improve the common wealth of the community, recognising that such decisions can be close to inconclusive and hard to measure.
- A '***precautionary***' approach looks to do the least harm.

And there are others, and they all have problems being all-embracing. Leading to my all-embracing theory that all all-embracing theories are unprovable.

Where Do We Need An Ethical Framework?



We can observe two basic schools of ethics, teleology and deontology, crudely summarised as outcome versus process. “Ethics based on teleology is often described as the ‘ethics of what is good’. A teleological ethical decision looks at rightness or wrongness, based on the results, or outcomes of that decision. Ethics based on deontology is often described as the ‘ethics of what is right’. A deontological ethical decision looks at the problem very differently. It looks at the moral obligations and/or duties of the decision maker, based on principles and rules of behaviour.” [Harris, 2008] Deontology focuses on process.



This diagram summarises the outcome versus process contrast of both schools. A third approach, virtue ethics, the ethical approach of Aristotle and Thomas Aquinas, focuses on inherent character of a person rather than on specific actions. Slightly cynically, H.L. Mencken said, "Conscience is the inner voice that warns us somebody may be looking." This concept found its way into the current banking debate when the now infamous Bob Diamond, former CEO of Barclays, said ethics is "when you do the right thing when nobody's looking".

It is debatable whether this concept of inherent character can apply to organisations, though the numerous calls for higher moral values and better banking culture testify to its appeal. I'm not dismissing virtue ethical approaches, surely it must be good to improve the character of individuals, but I do not see it applying to organisations in any straightforward sense. What is clear is that a 'good' bank, i.e. acting correctly towards mankind, is one that needs a mechanism that should help make decisions about right and wrong acts towards other beings and nature – an ethical framework – which combines outcome and process schools.

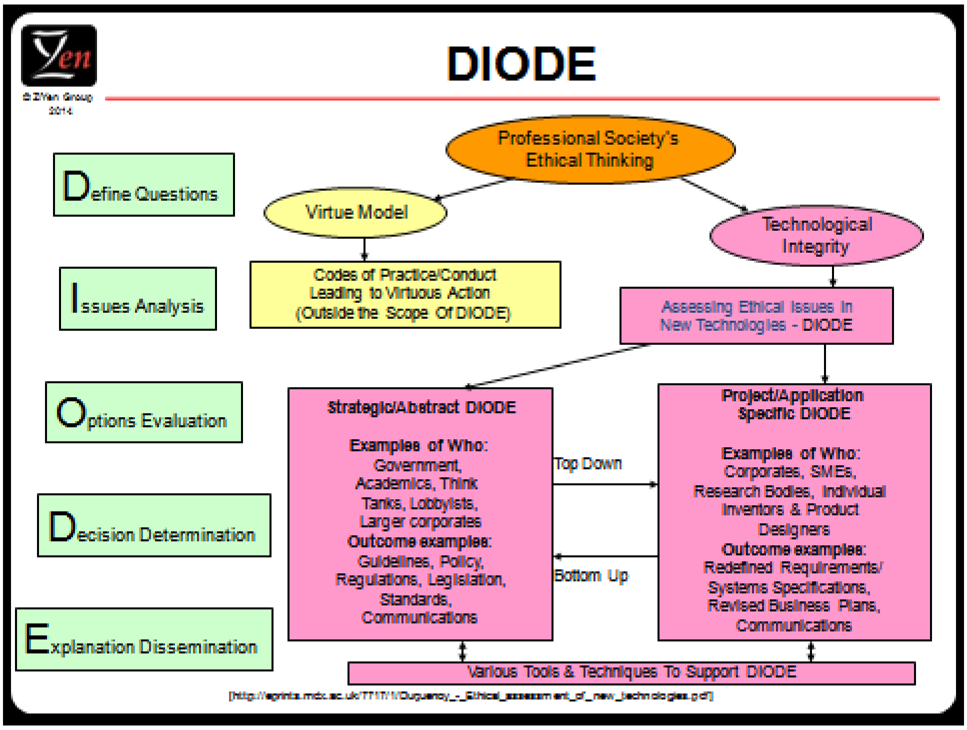
Before getting specific about banking, there are certainly some general attributes for any ethical business, not just banks. By way of example rather than exhaustion we might suggest starting with "deliver on promises". A good bank does what it says it does, from claims about financial terms and conditions to customer service and, in particular, advice. A good bank that promises advice to customers really does need checks and balances to ensure that advice is good for the customer and not aimed at maximising (short term) profit for the good bank.

Within financial services we have a number of ethical codes for investment, such as the Equator Principles, Principles for Responsible Investment (PRI), UNEP Financial Initiative (UNEPFI), or The European Social Investment Forum (EUROSIF). Operational ethics haven't been ignored, and there have been numerous commissions and codes of conduct, Turner, Walker, Vickers, but structured ethical frameworks rarely make it past the Chairman's office or the annual report.

Following the crises since 2007, Lady Susan Rice from Lloyds champions the Chartered Banker Professional Standards Board. Sir Richard Lambert has issued a consultation from the Banking Standards Review (http://www.bankingstandardsreview.org.uk/). The City of London is rightly proud of Richard Sermon's City Values Forum (http://www.cityvaluesforum.org.uk/). I simply must mention an exciting client, Fairbanking (http://www.fairbanking.org.uk/), accredited by the United Kingdom Accreditation Service to award a Fairbanking mark to ethical products. And some individual banks do great work. Unable to point to the Co-operative Bank any longer, I can at least I'll nod towards UnityTrust Bank (http://www.unity.co.uk/about-us/). But other industries go further, and my firm has worked with many in fishing, shipping, mining, or forestry, not just on ethics but also on ethical certification schemes.

Ethical frameworks exist in many industries, such as those of the International Council of Chemical Associations, The Electronic Industry Citizenship Coalition (EICC), The Extractive Industries Transparency Initiative (EITI), International Council on Mining & Metals, the Kimberley Process on diamonds, World Lottery Association (WLA), or the Worldwide Responsible Accredited Production (WRAP) on waste, just to show the breadth. Many of these frameworks are underpinned by social and ethical labelling schemes that audit compliance, again in numerous areas such as organic foods or fair trade or child labour.

This in turn leads to the question of whether an ethical standard should be "deep but narrow" or "shallow but wide". Basically, we can have a gold-plated, but virtually-impossible-to-achieve standard that appears to exclude all but the best or most traditional firms. On the contrary, we can have an easy-to-achieve-but-inclusive standard homeopathically watered down till all meaning has been diluted and washed away.



90 Basinghall Street
London EC2V 5AY
United Kingdom
Risk/Reward Managers
tel: +44 (020) 7562-9562
fax: +44 (020) 7 628-5751
www.zyen.com

For a good example, I'd point to work our firm did assisting the British Computer Society on their ethical framework for bringing out new technologies. DIODE (Define Questions, Issues Analysis, Options Evaluation, Decision Determination, Explanation Dissemination) is a methodology to help ICT professionals assess ethical issues in the introduction of new and emerging technologies. The project simplified Z/Yen's problem solving approach, Z/EALOUS, into five stages that help guide answers to ethical questions. For instance - Can IT suppliers win business through your competitive tendering processes without lying to you? Would a fair number of your customers be angry if they knew what your business does with their personal data? In a developing country where the cost of the system is a significant proportion of a subsistence wage, should you sell a novel payment system that you are not committed to support for several years?

Working on ethics in the pharmaceuticals and health sector, we encountered Principlism (http://en.wikipedia.org/wiki/Principlism), a system of ethics based on four moral principles. We would commend these as a good starting point for a commercial system of ethics:

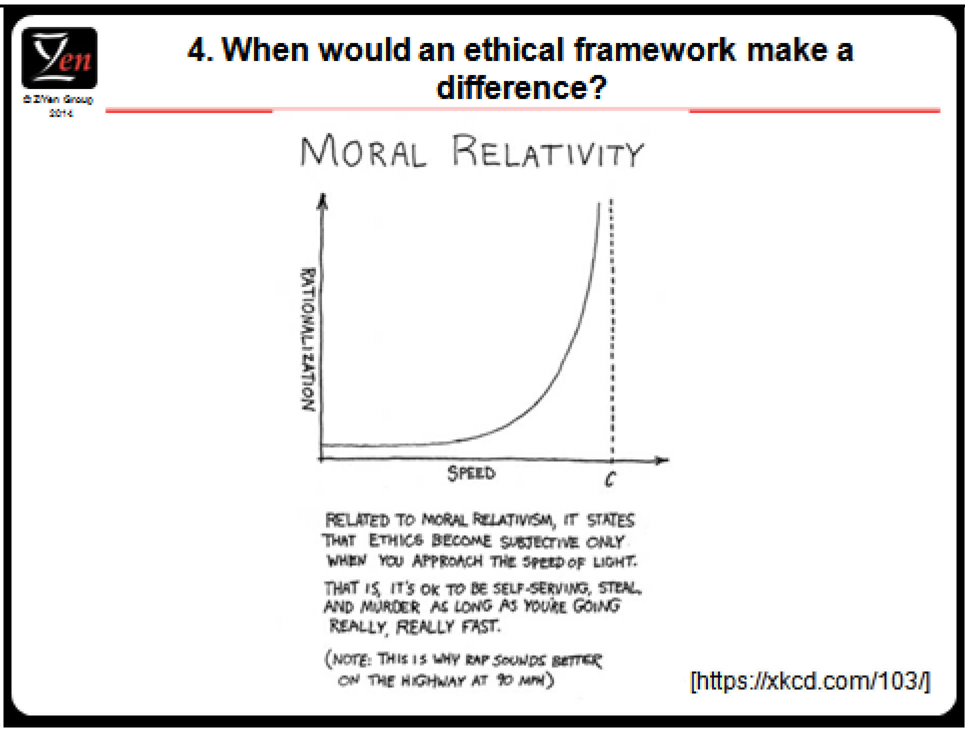
1. Autonomy – respecting people as individuals, being clear about free-will and agent responsibilities;
2. Beneficence - to do good;
3. Nonmaleficence - not to harm;
4. Justice – fair social distribution of benefits and burdens.

A DIODE-like framework should provide a quick (think checklist or flowchart) tool for individual/local ethical decisions. An organisational ethical framework might help to inform decisions such as:

- go/no go on new products and their pricing;
- go/no go on deals, ventures, collaborations;
- offer/don't offer product to this customer/prospect;
- promote a particular product locally or not;
- local hire, fire and other such HR decisions.
- expansion/contraction/restructuring/technology change plans.

When Would An Ethical Framework Make A Difference?

Risk/Reward Managers
90 Basinghall Street
London EC2V 5AY
United Kingdom
tel: +44 (020) 7562-9562
fax: +44 (020) 7 628-5751
www.zyen.com



Line managers cannot run a business yet subject every transaction to a DIODE-like framework. Within Principlism many of the beneficence or nonmaleficence decisions can be informed by more complex, rigorous pre-analysis by experts, e.g. "If you are offering loans to people who might not make the cut in a conventional bank, how do you assess the 'goodness of doing that?'" At one end, 'if they might possibly fail to repay, thus better not to offer' you deny all access to funds. At the other end (payday loans?), you might (arguably) rip many people off and provide unrealistic hope where you should instead offer realistic expectations or even counseling on their debt issues. In between, there is ethical assessment.

In truth, these decisions are partially codified in management and automated systems. People avoid ethical assessment by following the rules. A DIODE-like framework would be applied to the rules and then the management and automated systems should be recoded appropriately. Adherence to well-crafted rules does not alone constitute ethical behaviour. In addition we wish to instil virtue through education – and I'm aware of a few banks doing that. However, virtue and rules are best embedded in a supportive environment where ethics can be discussed. Encouraging ethical 'participation' (back to 'satisficing' or 'common good') has a role to play, including ideas such as:

- develop mutual ownership: when staff and customers have a financial stake in the long term performance of the business you'd hope and expect at least a few (as opposed to none) of them would take a direct interest and actively participate in the governance;
- develop mutual bonus schemes: performance-related pay for groups and share options schemes for teams might encourage group cooperation and outing ethical issues;
- encourage oversight by civil society: make the good bank's books and records available to selected and responsible third parties so those third parties can evaluate whether or not the good bank is doing sensible and honest deals or whether it is cheating its customers;
- take control functions seriously: without stifling the business, measure internal cultural views of control, insist people rotate through different areas, and make control functions

an essential step in a successful career;
- resist complexity: only then can everyone understand what is going on and make intelligent contributions to the management of the business and the risks;
- present uncertainty honestly: approaches such as Confidence Accounting allow the representation and reporting of inherent uncertainties.

The politician and campaigner, Shirley Chisholm noted, "When morality comes up against profit, it is seldom that profit loses." Participation tries to bring those conflicts into the community view.

In last summer's project our thinking started with "why build an ethical framework if there are no questions to answer?" We rapidly came to well over 25 meaty questions which are contained in an appendix to this lecture. There are a lot of deep issues - are legal panels ethical, what's ethical about taxation, what about living wages, should better deals go to long-serving customers, should mortgages be re-priced in the customer's favour whenever possible, is short-selling ethical or stock lending or high-frequency trading. You've already heard an early one about whether free banking is ethical, here are two more just to show these are thorny and not straightforward:
- Overdrafts – are overdrafts ethical as currently handled? Perhaps there should be a clear distinction that an overdraft is a loan and not sold with a current or deposit account. Should overdraft charges be put in comparable APR terms? The average overdraft and payday loan are both £200, because they're used for the same purpose. As the Securities & Investment Review pointed out in February 2013 – "if Alex [the article's lead character borrowing £200] had gone to a typical payday lender for his £200, the charge would have been £66, whereas at the sign of the Black Horse it would have been £84.22 [2,200% APR] and more than £110 at RBS [4,000% APR]". Why is it an overdraft facility when sold, but overdraft charges when used?
- Leverage – is leverage ethical? Leverage is, arguably, the cause of booms and busts. Peer-to-peer lending is unleveraged. Traditional building societies were, basically, unleveraged (granted, this is a complex argument). Does leverage permit unfair or unsustainable returns? If not, how does one determine when to deleverage? If leverage is ethical, how does one determine the appropriate amount of leverage at any time, or the maximum? Can one compete without leverage?

These are deep, complicated questions requiring knowledge of the industry, politics, economics, social mores, technology, and the art of the possible. Ethical frameworks are conceptual schemes by which people make sense of the world. Wittgenstein emphasized understanding the point of an ethical system. Bernard Williams says, "An insightful observer can indeed come to understand and anticipate the use of the concept without actually sharing the values of the people who use it … But in imaginatively anticipating the use of the concept, the observer also has to grasp imaginatively its evaluative point." [Williams, page 142] Thus to understand an ethical framework for banks we have to deal with the political, economic, social, and technical environment of banks. This is not an unusual problem. Philosophers discuss thick concepts, where the rich descriptive power of words in the environment are evaluatively loaded. In banking, thick concepts come thick and fast – leverage, money, fairness. It would be too easy to leave to the experts, but expertise is needed. I contend that many of these questions become easier if we know the environment in which the ethical framework is going to be applied. I want to look at one concept in particular, that of the market economy.

Risk/Reward Managers
90 Basinghall Street
London EC2V 5AY
United Kingdom
tel: +44 (020) 7562-9562
fax: +44 (020) 7 628-5751
www.zyen.com

Why Is An Ethical Framework Insufficient?

5. Why is an ethical framework insufficient?

© Z/Yen Group 2014

Personal Current Account Provider	March 2010 market share (%)
Lloyds TSB / Halifax Bank of Scotland	30
Royal Bank of Scotland Group (RBS)	16
HSBC (including First Direct)	14
Barclays	13
Santander (Abbey, Alliance & Leicester)	12
Nationwide Building Society	7
Co-operative Bank	3
National Australia Group Europe (Clydesdale Bank & Yorkshire Bank)	2
	Source: Office of Fair Trading

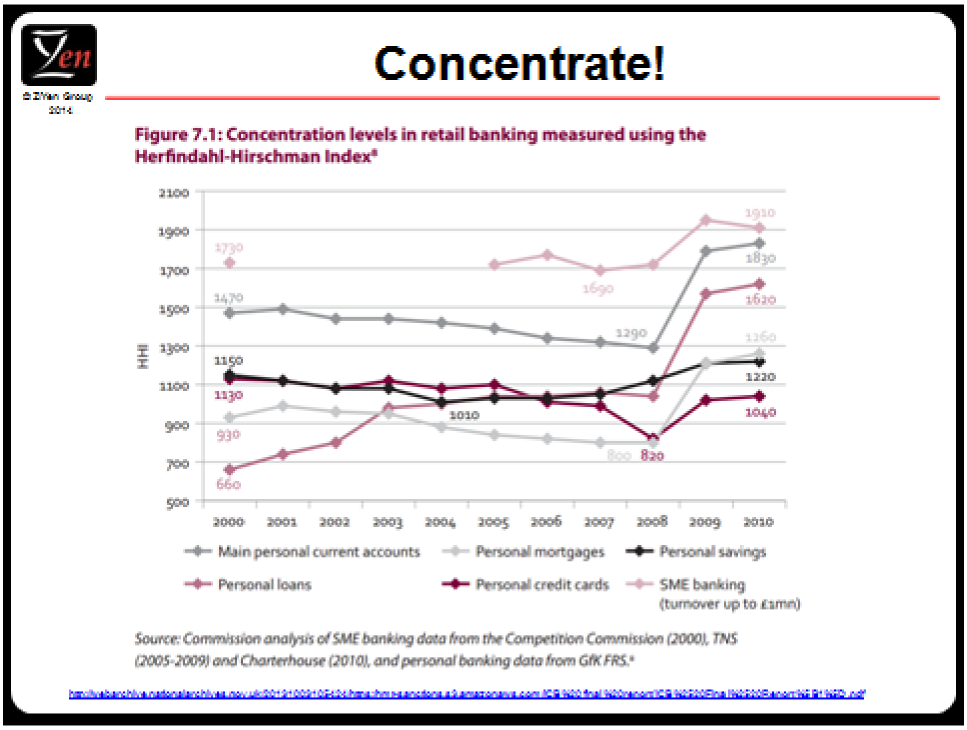
Now competition and markets and evolution are long-standing similar strands of thinking. As many of you will know, historical revisionists recognise more and more how Adam Smith and other thinkers may have directly inspired Charles Darwin and Alfred Russel Wallace on evolution. Evolution is one of those interesting theories that cuts two ways, it is both inspiring, we can learn, and depressing, most of us must fail for others to improve. That said, it does inspire me. The core of open, competitive markets should be the ability to develop interesting challenges that advance mankind. "…the reason free markets work is because they allow people to be lucky, thanks to aggressive trial and error, not by giving rewards or 'incentives' for skill" [Nassim Nicholas Taleb, The Black Swan: The Impact Of The Highly Improbable, Penguin (2007), page xxi].

My remarks that follow on the market economy and banks are directed at the UK retail banking market. There are many areas of wholesale and retail finance where we could discuss the nature of competition, or lack thereof, and I think the ethical point I'm making applies to all industries, but today's talk focuses on UK retail banking.

Is UK retail banking a competitive market? Around 100 firms operate in UK retail payment and deposit financial services. Britain has about 50 retail banks and 46 building societies [as of February 2014 there were just over 300 deposit-taking banks, but many are effectively the same bank, e.g. JP Morgan has four entities, and many are overseas banks or specialist banks not seeking UK business but needing to be registered deposit takers - http://www.bankofengland.co.uk/pra/Pages/authorisations/banksbuildingsocietieslist.aspx] The Herfindahl-Hirschman Index (one measure of concentration) for the personal current account market rose in the UK from 1,410 in 2007 to 1,736 in 2010, indicating moderate to severe concentration is increasing. Five banks control nearly 90% of the market.

Risk/Reward Managers
90 Basinghall Street
London EC2V 5AY
United Kingdom
tel: +44 (020) 7562-9562
fax: +44 (020) 7 628-5751
www.zyen.com

Cruickshank in 2000 concluded that the UK banking sector suffered from a lack of competition. Despite this, the FSA was not assigned 'competition' as a core objective, and the competition authorities never made any inroads. After the crisis in 2011, the Independent Commission on Banking, the Vickers Report, considered Britain's banking concentration as amongst the highest in the developed world. [Independent Commission on Banking, pages 167-171]



Further, a very few British banks are very big – "Citigroup's total assets amounted to 16% of US GDP at the time it had to be bailed out by the US Government. The comparable figure for RBS at the time of its bail-out was 99% of UK GDP..." [ICB, page 24] To wake some of you up, remember that Germany, with an economy slightly larger than the UK has some 2,000 banks. The USA has some 8,000 or more banks. If the UK were to use these two countries as benchmarks we should move from 50 banking institutions to at least 1,000. This is not absurd. In 1809 there were some 800 banks outside London (http://www.banking-history.co.uk/history.html). In 1910 the UK had 1,723 building societies.

Many discussions on UK banking reform would be clearer and swifter if we name five specific institutions - RBS, Lloyds, Barclays, HSBC, and Santander. One owned by the government, one almost owned by the government. If a 'big tractor', communist style banking system frightens you, there is no need to look east for fear. It's here today. These banks are too big to fail, virtually too big to save, and too big to regulate. Heck, the government is regulating itself half the time.

This is not to exonerate wholesale finance, which has many ethical problems of its own, LIBOR and FX fixing scandals spring immediately to mind. The wholesale markets also fail where they are concentrated, for example 12 investment banks controlling over 20% of the top 1000 global banks' assets; or AIG, Fannie Mae and Freddie Mac controlling the US

Risk/Reward Managers
90 Basinghall Street
London EC2V 5AY
United Kingdom
tel: +44 (020) 7562-9562
fax: +44 (020) 7 628-5751
www.zyen.com

housing market, then crashing; or four auditing[1] firms wildly off base; or two and a half credit rating agencies rating 64,000 AAA vehicles, but only 12 US AAA companies; concentrated markets have a propensity to fail. But that's for another lecture.

Any good UK bank is a 'challenger' bank in a highly concentrated industry. The Commission "identified a number of factors that affect competition in retail banking, including concentration, barriers to entry, regulation, switching costs, customers' ability to compare products, and other informational problems." [Independent Commission on Banking, page 165]

Fortunately, the partial successor to the FSA, the Financial Conduct Authority, has five objectives, regulating, protecting, championing, enforcing, and "promoting effective competition". As the FCA says, "Competition is a process of rivalry between firms seeking to win customers' business over time. Markets that are competitive tend to lead to cost efficiencies, lower prices, greater choice, innovation and economic growth, which ultimately work in the interest of consumers. It is the process of competition that needs to be protected and promoted. This does not equate to protection of specific competitors. In other words, what matters are the outcomes that competition delivers to consumers and to the economy as a whole, and not whether (inefficient) operators are unable to compete and survive in a market." http://www.fca.org.uk/about/what/promoting-competition I might add that vigorous competition also promotes simplicity over complexity. An argument frequently raised is that banks are too complex to break up. For me, too-big-to-fail is too-big-to-understand, too-big-to-regulate, and too-big-to-manage. Simplicity is a virtue (see Shirreff 2014).

I will digress for a moment to point out that open, competitive markets might helpfully be distinguished from capitalism. Capitalism is about ownership of the means of production. Today's badge-wearing capitalists often forget about competitive-inducing controls on size, as well as the concepts of free data or information. Smith refers to capitalists, but not capitalism. In many ways capitalism is really a Marxist term. Smith emphasises the need to control size, not least in banking, saying in *The Wealth of Nations* (1776): "By dividing the whole circulation into a greater number of parts, the failure of any one company, an accident which, in the course of things, must sometimes happen, becomes of less consequence to the public. This competition, too, obliges all bankers to be more liberal in their dealings with their customers, lest their rivals should carry them away." Marx, grossly abbreviated, assumes that size cannot be controlled. Trust-busting or anti-monopoly laws are what I might call 'ur-regulation' – the original regulatory activity of breaking up concentrated market power that occurred during the 1890s in Britain, the 1900s in the USA. Anti-monopoly activity creates 'the market'. Other government initiated activity thereafter is regulation. Failing to keep the market evolving by discouraging new entrants and allowing existing entrants to over-consolidate is irresponsible or unethical itself.

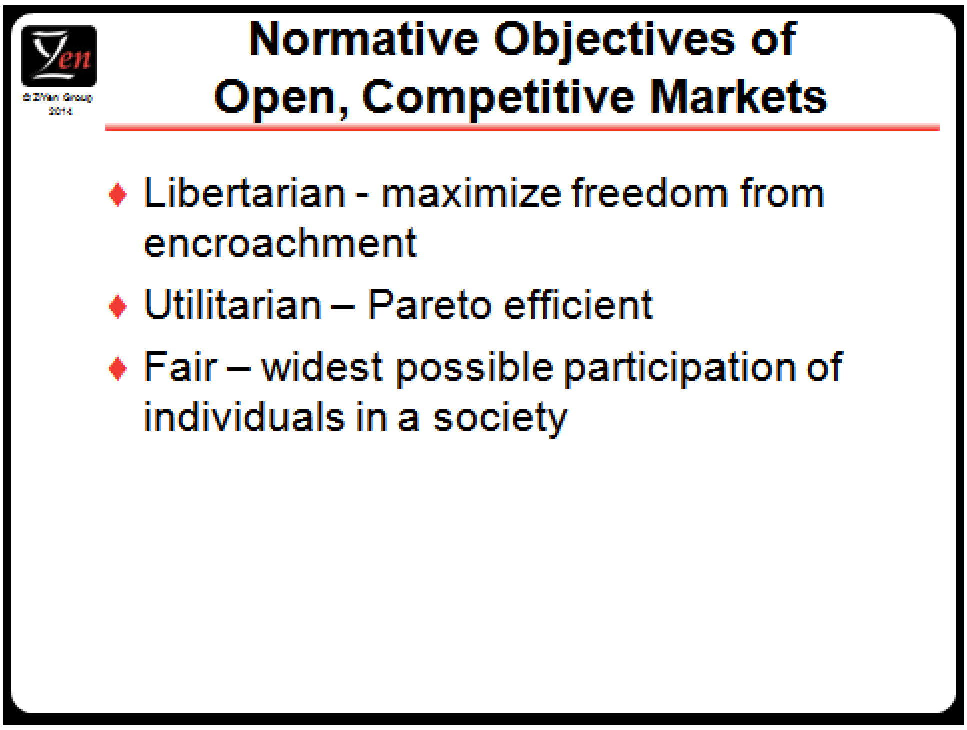
Perhaps the biggest dilemma in providing an ethical framework is ascertaining the role of competition in such a framework. It's worth noting that the EU pressure on the government to restructure RBS, government pressure on RBS and Lloyds to divest, the early returns on offer, and the regulatory permissiveness for two special challenger entrants, are all signs

[1] Banking concentration of 1,736 measured using the Herfindahl-Hirschman Index (HHI) might be contrasted against the figure for audits of the FTSE 100 of 3,175, for the FTSE 250 of 2,772. A HHI figure in excess of 1,800 for a market is typically considered to represent a highly concentrated market.

Risk/Reward Managers
90 Basinghall Street
London EC2V 5AY
United Kingdom
tel: +44 (020) 7562-9562
fax: +44 (020) 7 628-5751
www.zyen.com

that two new UK challenger banks, TSB and Williams & Glyn, only exist because competition is weak. The easy ethical 'out' in many markets is 'the market has decided'. That out does not yet apply to UK banking.

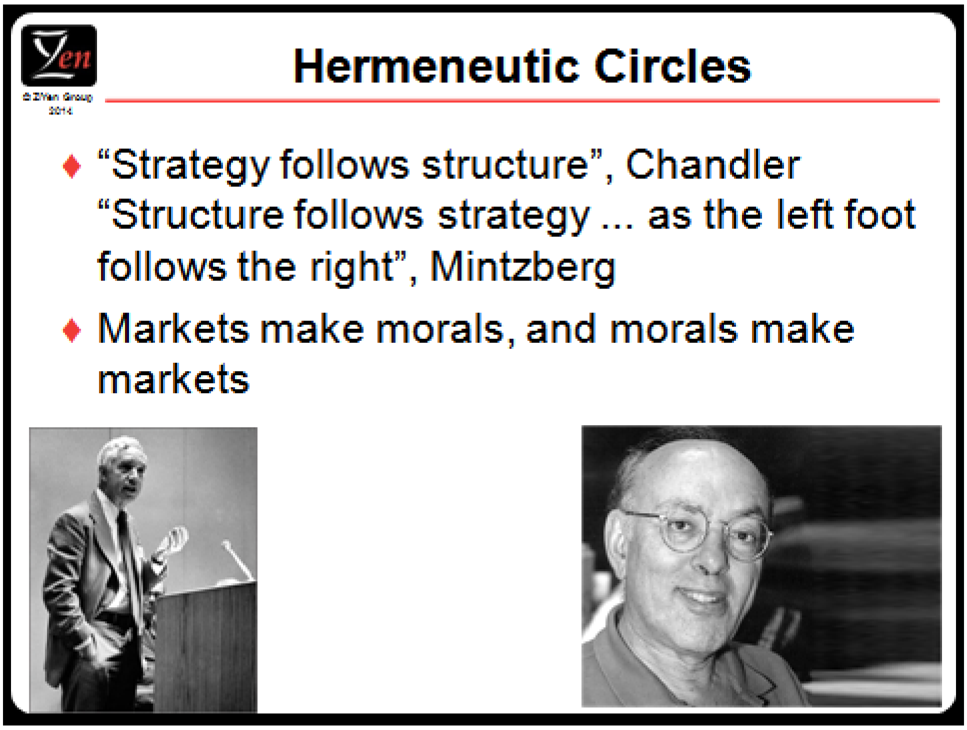
We found that so many of the ethical questions we encountered in banking were horrifically complicated unless we believed that competition worked. If competition is considered to be robust, so many ethical decisions, such as product pricing, pay levels, overdrafts, 'free' banking charges, can be much better informed by market forces. The good bank is good if it survives – the survival of the fittest circularity of evolution. Ethically, it may be essential to increase competition. Interestingly, last year Most Reverend Justin Welby, the Archbishop of Canterbury, said to Wonga's founder, Errol Damelin, that the Church would try to "compete you out of existence". Does this indicate reliance on the idea that competition helps remove unethical structures?



Many people ignore a market as a moral system, but there is a moral framework linking Adam Smith, Karl Marx, Milton Friedman, and Friedrich Hayek. I might contend though that much of commercial ethics ignores the environment. Markets earn their legitimacy with society by proving that the pursuit of self-interest provides intended benefits for society. We can see at least three potential normative objectives of markets in this slide:

- Libertarian - maximize freedom from encroachment;
- Utilitarian – Pareto efficient, greatest good for the most;
- Fair – widest possible participation of individuals in a society.

In the 1960's Alfred D Chandler put forward - "The thesis... is then that structure follows strategy" (Chandler, 1962: 14). This was almost immediately turned on its head that strategy follows structure. Henry Mintzberg offered a more balanced view, arguing that the relationship between strategy and structure is reciprocal. "Structure follows strategy ... as the left foot follows the right." Today I'm arguing that ethics follows structure as much as structure follows ethics. In particular, open competitive markets favour the creation of professionals, principles, and ethical clarity. Professionalism in competitive markets arises where there is a common good in attracting customers in the first place, overcoming perceptions of safety, security, quality, or fair play. Some professions, such as accounting and auditing, arise in competitive markets that then become cartelized, but their origins are in competition. Some of the more traditional professional structures, in areas such as law or medicine, remain more effective in competitive markets. Markets make morals and morals make markets.



Last year there was a particularly relevant Harvard Business School working paper by Henderson and Ramanna. The basic conclusion was that "in those cases in which the provision of an institution is a scarcely attended political process or a public good that cannot be easily realized by managers, managers may have a duty to mitigate this market incompleteness, even if it is not immediately profit maximizing to do so". [Henderson and Ramanna, page 27] Society can choose other methods than open competitive markets to achieve many of its goals. Managers who benefit when society chooses to use markets have an obligation to make sure society gets its money's worth. In short, managers have a moral obligation to promote the market economy. Ethically, it may be essential to increase competition. Michael Blanding restates Henderson and Ramanna – "managers have another interest, not just to serve as agents for their shareholders, but also to serve as agents for the system as a whole." http://hbswk.hbs.edu/item/7285.html

To serve as agents for the system as a whole means finding weak spots in the system and fixing them. There are very problematic aspects - defining the market for starters. Allowing foreign players into a domestic market can provide more competition if the international market is competitive, or instantiate a global cartel if there is little. These analyses and decisions are not easy. We don't want open competitive markets on everything. We want them to make choices on things that matter – and determining where those choices are most important is political. The same German retail banks I lauded earlier often share the same ICT systems. Their competition is based more on customer relationships and local credit knowledge than swish ICT systems. That said, I can attest as a customer that their ICT systems are friendlier than our cartel-based UK ones. A competitive market should be striving for diversity and variety of approaches where innovation can make a difference.

Perfect markets don't exist. Competition cannot be measured solely on the number of firms. We, the business community, have a boon with society. We've sold society a dream based on a theory. To move towards that dream we have to work on many different aspects of open competitive markets. We know the failures, lack of competition, information asymmetry, agency problems, and externalities. We also need to work on the positive aspects - connecting buyers and sellers, standards and standardization, pricing and information, settlement and execution, enforcement. hernando de soto points out frequently that "the real economy is the law". He points out that more than cattle or iron, the real economy is created by the framework of law that allows people in markets to own, contract, trade, and enforce. Henderson and Ramanna set out seven key conditions that sustain competitive markets. They are a good starting set we should be striving towards:

- well-defined property rights;
- complete knowledge;
- enforceable contracts;
- no agency;
- non-collusion;
- price taking and market clearing;
- free entry and exit.

Five years ago, February 2009, just after RBS's collapse, I suggested to the Associate Parliamentary Group on Wholesale Financial Markets and Services one way to inject more competition in UK retail quickly and cleanly. I suggested nationalising RBS and possibly Lloyds but then immediately privatising in slices, e.g. RBS in 100 smaller banks. One bank might contain a portfolio of Newcastle loans and mortgages, another bank a portfolio of

Somerset loans and mortgages. The early slices should be keenly priced, encouraging take-up, as was done in the mid-1980 privatisations. Hard-to-sell later slices are equivalent to "bad bank" or "toxic loan guarantee" proposals. [http://www.zyen.com/component/content/article/28-activities/events/529-will-the-massive-changes-taking-place-in-the-financial-services-and-their-regulation-generate-the-migration-of-the-last-global-business-from-the-uk-and-what-are-the-potential-econ]

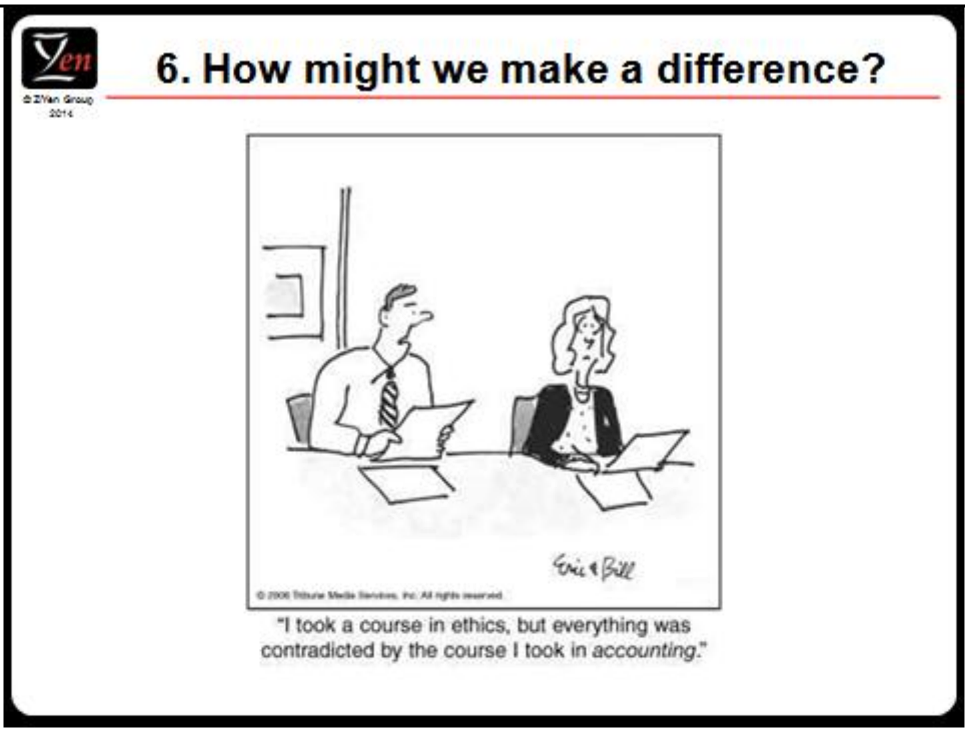
Hundreds of new banks may sound quixotic, but we're well over half a decade on from the financial crises since 2007 with promised competition still over the horizon. Perhaps we should be more daring, especially in the UK. Recent debates between the various political parties have been interesting on this score. The objective should not be to break up the banks. The objective should be more competition in the right places. I must mention one point that does bother me. The Treasury objection to competition discussions is that it is bad for the taxpayer; Treasury indicates that the sale value of a group of smaller banks is less than selling a quasi-monopoly. This may or may not be true, although there is a lot of contrary empirical evidence that most conglomerates are worth more broken up. Still, this valuation of RBS or Lloyds ignores the fact that these are the two banks for half of the population. The taxpayers are also customers. Thus, the cost-benefit equation of breaking banks up should also include the benefits of increased competition.

Alongside more competition, we need to put in place structures that can handle one of the fundamental aspects of competition, some banks should fail and those failures need to handled on a routine basis. A few years ago, those German banking numbers would have been 3,000 banks. Germany has a bank creation problem now. In the USA, a few hundred banks fail every year. The US authorities are good at handling this. Even there though, some of the regulatory barriers to entry indicate that they too have a new bank creation problem. There is waste in this, but there is also renewal.

How does competition affect an ethical framework? In some ways by lessening its need. Take lending rates versus saving rates. "'To make money you have to lend it rather than store it'. Having realised this, the bank then acts as if that knowledge is both true and false. It acts as if the statement is true by continuing to select from enacted inputs those occasions where there is an opportunity to lend at a profit. It acts as if the statement is false by urging customers to be thrifty and use the bank as a repository for the results of that thrift. It is good to save and bad to borrow, it's good to borrow and bad to save. That complicated definition is something that a bank must manage as a continuous routine matter." [Weick 1979, page 222] Far far easier to say that our lending and saving rates are competitive and we do not need to invoke an ethical framework. Competition simplifies our ethical dilemmas.

How Might We Make A Difference?

90 Basinghall Street
London EC2V 5AY
United Kingdom
Risk/Reward Managers
tel: +44 (020) 7562-9562
fax: +44 (020) 7 628-5751
www.zyen.com



Is it possible to compete and succeed as a genuinely ethical bank? If the answer is no, the only possible outcomes are failure or 'pious-wash' in the spiv quadrant/corner. You have pseudo-ethics and talk a good PR game while 'cheating' as hard as the rest. If you talk too good a game and feel morally bound to really 'do as you say', you can quickly box yourself into Patsy quadrant/corner. Ethical stances easily lead to accusations of hypocrisy. As one banker remarked, "it behooves us to be pretty modest in our claims to be an ethical bank and at best we should claim to 'aspire to be an ethical bank'".

Ethical frameworks can only be about 'fit for purpose' rather than 'intent for purpose'. At best frameworks can promote 'done to be seen' alongside 'seen to be done'. Ethical frameworks cannot change values and cultures; that has to come from within people and institutions.

Open market competition helps the vigour of greed produce the rigour of fear. It makes alpha males hungry to demonstrate that they have safe pairs of hands as well sharp elbows. Bankers realise that it's not a cosy club selling Payment Protection Insurance that never pays out, or doing some self-serving global restructuring, or selling some unnecessary swaps – with proper competition the competitors are watching and who knows who might snitch to consumers or regulators. Competition reduces systemic risk and encourages lending. Equally, we need to cap regulation. Regulation creates barriers to entry, promotes the large over the small and reduces competitive variation. The big objective should be to restructure the industry to align outcome and process through competition into the 'just do it' quadrant. Regulators need to shrink the banks, increasing their number and variety, then shrink themselves.

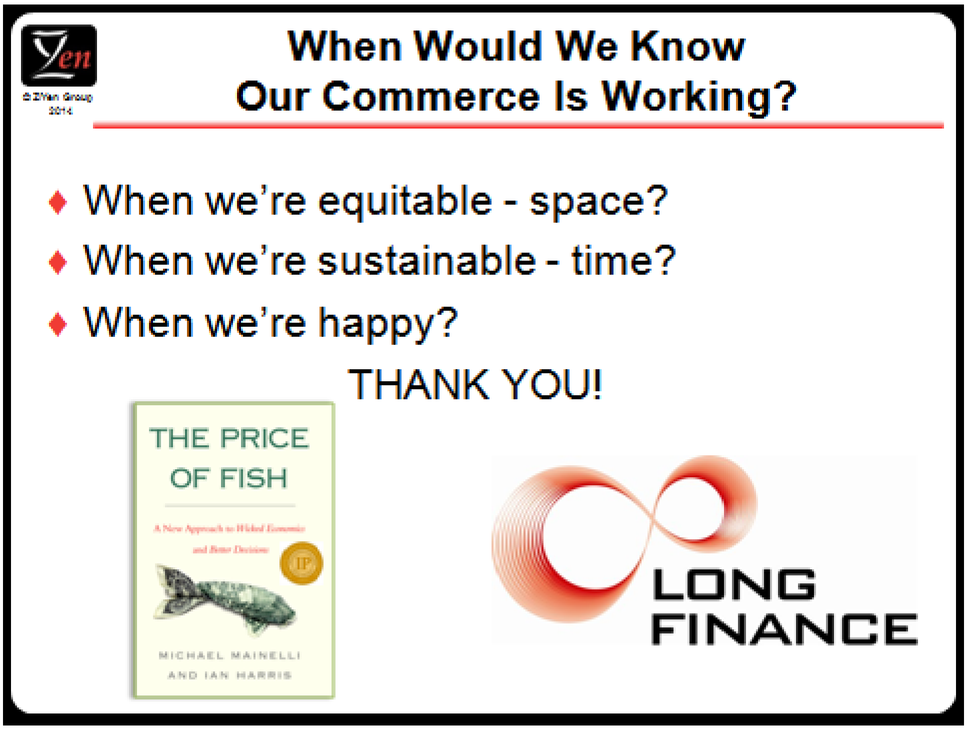
Thus, in today's market an ethical bank must measure progress in reducing concentration. A good bank needs to be willing to help increase competition. This might mean teaming with other 'challenger' banks, perhaps in a 'coalition of the good', measuring reductions in barriers to entry, or even directly helping competitors to succeed. For banks that are

90 Basinghall Street
London EC2V 5AY
United Kingdom
tel: +44 (020) 7562-9562
fax: +44 (020) 7 628-5751
www.zyen.com

interested, Long Finance and Z/Yen are hosting a discussion about how "when we would know our financial system is working?" The financial services industry needs to play its part by suggesting reforms of its own that promote vigorous, open markets, helping others understand why some proposed reforms won't work, and agreeing to disagree on yet others. But to exercise its "responsibility to structure market institutions so as to preserve the legitimacy of market capitalism" [Henderson and Ramanna, abstract]. Join us.

I am not advocating a romantic, gentlemanly capitalism. In a competitive market firms face unprecedented scrutiny and evaluation by their own peers, savers, investors, managers, shareholders, academics, credit agencies, journalists - and regulators - all of whom will become more anxious and more active sources of discipline in the market. Ethics can then become a more personal and private affair.

As Archbishop Welby remarked in a Today interview last year – we have to operate in the real world, but the challenge is to what extent we accept the inequalities that brings, or do we rise to the challenge of changing the real world, and what are we prepared to pay to get that change?



Thanks

My thanks to the wide Long Finance community which has helped my thinking, with direct thanks to Andrew Brown, Claudia Baisini, Greg Caldwell, Dr Stephen Christie, Ian Harris, Bernard Manson, Michael Morris, Onora O'Neill, Jan-Peter Onstwedder, Ian Theodoreson, and Patrick White, whose interest helped develop some of these ideas.

Appendix – Banking Questions For An Ethical Framework

1. 'Free' banking – is 'free' banking ethical? 'Free' hides the true costs and benefits behind the customer relationship. Is free banking ethical if the costs are revealed? How might that change consumer behaviour?
2. Overdrafts – are overdrafts ethical as currently handled? Perhaps there should be a clear distinction that an overdraft is a loan and not sold with a current or deposit account. Should overdraft charges be put in comparable APR terms? The average overdraft and payday loan are both £200, because they're used for the same purpose. As the Securities & Investment Review pointed out in February 2013 – "if Alex [the article's lead character borrowing £200] had gone to a typical payday lender for his £200, the charge would have been £66, whereas at the sign of the Black Horse it would have been £84.22 [2,200% APR] and more than £110 at RBS [4,000% APR]". Why is it an overdraft facility when sold, but overdraft charges when used?
3. Leverage – is leverage ethical? Leverage is, arguably, the cause of booms and busts. Peer-to-peer lending is unleveraged. Traditional building societies were, basically, unleveraged (granted, this is a complex argument). Does leverage permit unfair or unsustainable returns? If not, how does one determine when to deleverage? If leverage is ethical, how does one determine the appropriate amount of leverage at any time, or the maximum? Can one compete without leverage?
4. Taking on customers - under what conditions would a good bank say, "here – have your money back"?
5. Redemption charges - when are early redemption charges justified?
6. Credit promotions - promoting the purchase 'on credit' of things that aren't needed, but then who defines what's a necessity?
7. 'Current' account versus 'deposit' account – is it ethical to pay interest on a cash account? Should a cash account be safely segregated in the event of bank failure? If so, then does a bank have an obligation to point out that any interest payment is an investment and involves risk, thus deposit accounts are riskier?
8. Pay – what is a 'fair' salary for a banker? The traditional argument of bankers is 'the market decides' and if you underpay your team you'll lose essential talent. But does the market decide when there is a cartel? Are a good bank drawn into discussions of the Labour Theory of Value? Can a good bank make rules about remuneration? Perhaps make people stand up and defend their income in public as well as in private? Disclose far more than just the top few? Give up on long term incentives because they're ignored? Performance metrics like deposit growth, credit loss rates & credit quality of the portfolio, net cash from operations, net cash after capex, customer satisfactions, etc., can be developed and tracked over short and medium terms – are they enough?
9. Pricing structures – most financial products include an element of pooling. This is most evident in insurance, but also in banking. For example, should credit card APRs be individual or pooled? if pooled, how large a pool? If you put everyone in the same pool then some customers are subsidising others, and you are encouraging competitors to pick off the disadvantaged. As you move towards smaller pools, things get fairer, but more complicated. Similar areas include balancing interest payments against individual credit risk, or changing interest to deal with repayment cash flow certainty?
10. Termination charges – is it ethical to charge for early repayment?
11. 'Down cycles' - everyone is a good bank in good times. How does the bank position itself to be there in the bad? Should the balance sheet explicitly support this?
12. Fixed versus variable rates – is the bank tracking Bank of England rates, if so in a fixed way? A fixed way for credit cards? Does the bank offer fixed rate investments or

Risk/Reward Managers
90 Basinghall Street
London EC2V 5AY
United Kingdom
tel: +44 (020) 7562-9562
fax: +44 (020) 7 628-5751
www.zyen.com

mortgages? If so, which customers should have fixed, which variable?

13. Borrowers versus savers - how does the bank balance profit made from lending versus money paid on deposits? Is the balance set to be even-handed with both, or does the market decide appropriate rates on each side?
14. Return-on-equity versus return-on-assets – the traditional RoE measure has been blamed (not quite convincingly) for pushing banks to high leverage ratios, so perhaps RoA should be a more important measure? Does the way Basel capital adequacy regulations work provide a subsidy to large banks? There is a paradox with small banks needing proportionately more equity than large too-big-to-fail banks. Perhaps the charges should be reversed on the basis that small-enough-to-fail should come from deposit insurance while too-big-to-fail is not putting shareholder funds at risk?
15. Sustainable performance metrics – what's appropriate? Should the bank have high, e.g. top quartile, metrics on all operational measures, and a clearly defined cap on risk measures that puts it in a particular risk/return (e.g. lowest quartile) profile?
16. Treating customers fairly – is that sufficient or should the bank have to engage with customers, educate them, create a culture of active participation with them as well as staff? What does the bank mean by financial education – school and customer education has been tried and failed in many ways several times - perhaps guaranteed account and management support services would be more effective?
17. Usury - should there be a formal cap on market rates imposed for products, e.g. credit cards? If there is a formal cap, is it fixed or variable or both?
18. How do you let customers 'unwind' decisions? For retail banking, the advice/discipline role is interesting. A good bank knows that people will choose sensible savings plans if asked to commit away from the immediate trade-off between virtue and instant gratification. What is a fair period for people to change their minds? Once in, does a good bank help them get out, e.g. creating budgets and savings plans and spending alerts under the customer's control?
19. Cross-selling – say a good bank needs to sell three or more products to make required returns on capital among SMEs (probably close to the situation), does that mean that a good bank have unethically sold when a good bank don't think we'll get three? are a good bank disadvantaging customers who buy three or more? what's an appropriate sales commission structure for this situation?
20. How do you give advice? Investment advice should probably not come from your bank but then you depend on third-party suppliers. IFAs may be independent, but hardly have a good record. Should a good bank have an 'information only' policy with no investment or third party supplier recommendations?
21. Is outsourcing overseas ethical? What is the minimum wage or living wage policy?
22. What are our policies on indices and benchmarks? Would a good bank have stopped LIBOR and FX scandals?
23. Buying or retaining business - should existing mortgage customers get the better deals? Does a bank have a duty to remortgage downwards?
24. Shorting - would a good bank sell a product that allowed stock shorting, or needed stock shorting, such as many indexed products?
25. Stock lending – is stock-lending legitimate as it is used by shorters to drive down the share price, but the shares were held by a bank on behalf of those wanting the price to rise?
26. High-frequency trading – should this be banned, for example by introducing much longer batch windows for matching trades?
27. Solicitors' panels - would a good bank use law panels to 'conflict out' solicitors, i.e. paying them to prevent them taking on business that might lead to litigation against the

Risk/Reward Managers
90 Basinghall Street
London EC2V 5AY
United Kingdom
tel: +44 (020) 7562-9562
fax: +44 (020) 7 628-5751
www.zyen.com

bank?

28. Environment – does a good bank have an obligation not to lend to environmentally damaging projects?
29. Insurances – taking payment protection insurance (PPI) as an example, should a bank every offer an insurance that is grossly profitable?
30. Restructuring – taking RBS's Global Restructuring Group (GRG) as an example, should a bank declare a conflict of interest and avoid restructuring engagements of its own portfolio?
31. Tax - is there an ethical approach to taxation? Would we, could we, use offshore tax centres?
32. Attitude towards competition - should a bank firmly engage with the redesign of the financial industry, playing a larger role in regulation and policy, including the promotion of more competition?

The above questions do not constitute 'the universe' of important questions. We might suggest more brainstorming of questions, perhaps around the following high-level topics:

- shareholder value growth – sustainable & profitable;
- dynamic & adaptable positioning;
- the right & fair customer relationships;
- efficient operations;
- strong capital & balance sheet;
- effective governance & regulatory compliance;
- developing local community engagement – knowing to whom you're lending.

References

Chandler Jr, Alfred D., *Strategy and Structure: Chapters in the History of the Industrial Enterprise*, The MIT Press, 1962.

Financial Services Authority, "An Ethical Framework for Financial Services", Financial Services Authority (October 2002) - http://www.fsa.gov.uk/pubs/discussion/dp18.pdf

Harris, Ian, Gresham College lecture - "Commercial Ethics: Process Or Outcome" – London, England (6 November 2008) - http://www.zyen.com/Activities/Events/Gresham%20College%20Commercial%20Ethics%20-%20Process%20or%20Outcome%20-%20Published%20Transcript%20Including%20Slides.pdf

Henderson, Rebecca M. and Ramanna, Karthik, "Managers and Market Capitalism", Harvard Business School Accounting & Management Unit, *Working Paper No. 13-075 9* (November 2013). Available at SSRN: http://ssrn.com/abstract=2231526 or http://dx.doi.org/10.2139/ssrn.2231526

The Independent Commission on Banking, H M Treasury (September 2011) - http://webarchive.nationalarchives.gov.uk/20131003105424/https:/hmt-sanctions.s3.amazonaws.com/ICB%20final%20report/ICB%2520Final%2520Report%5B1%5D.pdf

Mainelli, Michael and Manson, Bernard, "Small Enough To Fail: A Systems Approach To Financial Systems Reform", *Journal of Risk Finance*, Volume 12, Number 5, Emerald Group Publishing (October 2011), pages 435-444 – http://www.zyen.com/index.php?option=com_content&view=article&id=757&Itemid=359

McElwee, Martin and Tyrie, Andrew, "Leviathan at Large: The New Regulator for the Financial Markets", Centre for Policy Studies [2000] – https://andrewtyrie-admin.conservativewebsites.org.uk/sites/www.andrewtyrie.com/files/leviathan_at_large.pdf

McLeay, Michael, Radia, Amar, and Thomas, Ryland, "Money Creation In The Modern Economy", Bank of England, Quarterly Bulletin 2014 Q1 (2014) - http://www.bankofengland.co.uk/publications/Documents/quarterlybulletin/2014/qb14q1prereleasemoneycreation.pdf

Shields, Hugh (ed), "Principles Not Rules - A Question Of Judgement", The Institute of Chartered Accountants of Scotland (2006) - file:///C:/Users/Michael/Downloads/rs_principles_v_rules.pdf

Shirreff, David, "Don't Start From Here … We Need A Banking Revolution", Economist writer in personal capacity (February 2014) - https://www.dropbox.com/s/e5of2zywwydb6vw/DontStartFromHere100214.doc

Karl E, *The Social Psychology of Organizing*, Random House (1979).

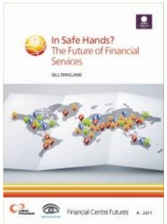
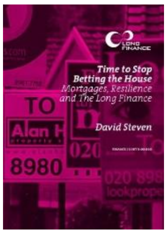
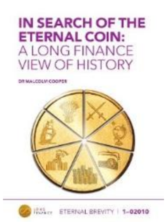
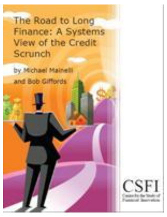
Williams, Bernard, Ethics And The Limits Of Philosophy, Routledge (1985) - http://202.113.53.133/national/lunli/ysyd/pdf/%E4%BC%A6%E7%90%86%E5%AD%A6%E4%B8%8E%E5%93%B2%E5%AD%A6%E7%9A%84%E5%B1%80%E9%99%90.pdf

On DIODE

Ethical Assessment Of New Technologies: A Meta-Methodology	Ian Harris, Richard C. Jennings, David Pullinger, Simon Rogerson and Penny Duquenoy	2011	Journal of Information, Communication and Ethics in Society, Volume 9, Issue 1, Emerald Group Publishing, pages 49-64.
Helping ICT Professionals To Assess Ethical Issues In New And Emerging Technologies (abstract)	Ian Harris, Richard Jennings, David Pullinger, Simon Rogerson, Penny Duquenoy	2010	British Computer Society
Ethics In The Provision And Use Of IT For Business	Penny Duquenoy with Nicole Dando and Ian Harris	2010	Institute of Business Ethics (January 2010) pages 36.
Helping ICT Professionals To Assess Ethical Issues In New And Emerging Technologies	Ian Harris, Richard Jennings, David Pullinger and Simon Rogerson, presented by Penny Duquenoy	2008	British Computer Society Ethics Forum (September 2008.

Further Reading/Surfing

	Title	Authors	Publisher
	**Backing Market Forces: How To Make Voluntary Standards Markets Work For Financial Services Regulation**	Michael Mainelli and Chiara von Gunten, Z/Yen Group Limited	BSI, the Chartered Institute for Securities & Investment and Long Finance, (November 2013), 72 pages
	**Keep Your Lid On: A Financial Analyst's View of the Cost and Valuation of DB Pension Provision**	Con Keating	Long Finance, Finance Shorts series, (March 2013), 31 pages

	**Confidence Accounting: A Proposal**	Ian Harris, Michael Mainelli and Jan-Peter Onstwedder, Z/Yen Group Limited	Long Finance, CISI and ACCA, (July 2012), 63 pages
	**In Safe Hands? The Future of Financial Services**	Gill Ringland, SAMI Institute	Long Finance, Financial Centre Futures, (December 2011), 66 pages
	**Don't Stop Believing: The State and Future of UK Occupational Pensions**	Con Keating	Long Finance, Finance Shorts series, (November 2011), 56 pages
	**Time To Stop Betting The House: Mortgages, Resilience and the Long Finance**	David Steven	Long Finance, Finance Shorts series, (March 2010), 30 pages
	**In Search of the Eternal Coin: A Long Finance View of History**	Dr Malcolm Cooper	Long Finance, Eternal Brevities series, (March 2010), 30 pages
	**The Road To Long Finance: A Systems View of the Credit Scrunch**	Michael Mainelli and Bob Giffords	CSFI and Long Finance, (July 2009), 62 pages

Black, Julia and Anderson, Karen, "Creating an ethical framework for the financial services industry", London School of Economics & Herbert Smith Freehills LLP (January 2013) - http://www.lse.ac.uk/collections/law/projects/lfm/LSE%20HSF%20discussion%20paper_d3%20ethics%20in%20financial%20institutions.pdf

Trust and Ethics in Finance (Innovative ideas from the Robin Cosgrove Prize) Global Ethics (2012) - http://www.globethics.net/c/document_library/get_file?uuid=2ae8b194-cd34-4bef-8288-4f1765ac132c&groupId=4289936

Other Z/Yen Publications on Ethics

Environmental, Ethical And Social Standards: Suitable Cases For The Governance Treatment	Ian Harris	2009	University of Oxford, Said Business School, International Social Innovation Research Conference
Commercial Ethics: Process Or Outcome?	Ian Harris	2008	Gresham College, London, England
Caseless Wonders: Finance Courses And Ethics	Michael Mainelli	2008	Finance & The Common Good/Bien Commun, Number 30 - 1/2008, Observatoire de la Finance, pages 81-90.
The Ethical Dilemma (CSR And Volatility)	Michael Mainelli	2006	Accountancy Age, VNU Business Publications, pages 20-22.
Take My Profits, Please! Volatility Reduction And Ethics	Michael Mainelli	2006	Gresham College, London, England
Ethics: Easy Life Or Risky Business?	Michael Mainelli	2004	Accountancy Age, VNU Business Publications, page 27.
Ethical Volatility: How CSR Ratings And Returns Might Be Changing The World Of Risk	Michael Mainelli	2004	Balance Sheet, The Michael Mainelli Column, Volume 12, Number 1, Emerald Group Publishing Limited, pages 42-45.