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Mr. Phil Khoury
Code of Banking Practice
Independent Review

Email: banking.code.review@cameronralph.com.au.

11 August 2016

Dear Mr. Khoury,

Australian Bankers' Association's Independent Review of the Code of Banking Practice.

This letter provides a submission on behalf of The Banking and Finance Oath (**The BFO**) to the Independent Review of the Code of Banking Practice.

The Banking and Finance Oath

The BFO is an industry-led initiative that was founded on a shared belief in the inherent 'good' of the financial services industry in Australia. Given the global scope and range of institutions within the industry, it was felt that a credible initiative that transcended membership of any particular institution or sector of the industry was required. It was this requirement that led to the development of The BFO. The BFO is provided in Appendix A.

The BFO seeks to re-assert the ethical foundation of the financial services industry in a way that goes beyond regulation and compliance, by highlighting the importance of ethics, integrity, honesty and trust in the behaviour of finance professionals. Similar to the Hippocratic Oath, The BFO is a set of professional commitments freely entered into by individuals who choose to be accountable to each other for upholding the principles contained in the Oath.

A number of programs have been developed to support BFO signatories, and these provide an opportunity to cultivate a strong ethical framework for individuals in the industry. These include Young Ambassador Programs at the student and industry level, an Elders program that provides a network for mentoring, and a Like-Minded Series and Leadership Circle that provides a forum for signatories to explore, and encourage discussion around, ethical issues. The ultimate objective of The BFO is, of course, to enhance community confidence and trust in Australia's financial services industry.

The BFO is increasingly recognised as a thought leader, frequently receiving requests for comment on issues as they affect the industry. It is a valuable initiative demonstrating global leadership by Australian finance professionals.

The Board and Policy Council of The BFO are comprised of leaders from the financial services industry and many signatories hold positions of senior leadership. Around one thousand industry participants from major bank Chairmen and CEOs down, are signatories of The BFO. (An indication of signatories is provided in Appendix B).

The BFO and the Code of Banking Practice

The Code of Banking Practice (**the Code**) is the banking industry's code of conduct, which sets standards of good banking practice for banks to follow when dealing with their individual and small business customers and their guarantors. As we understand it, the Independent Review aims to ensure the Code of Banking Practice is effective in enhancing banks' capacity to serve consumer interests and in building trust and confidence in banks. The Review is considering the operation and effectiveness of the Code against the background of changes that have occurred in the legal and regulatory environment, including self-regulation, and changes that are anticipated in banking services.

The Code necessarily takes a legalistic approach and imposes legal obligations on banks in their dealings with their customers. Ultimately, compliance with the Code is dependent on the threat of consumers taking legal action. In our view, legal obligations do not necessarily drive the right ethical behaviour; this can only occur through individual commitment to behave ethically. As both APRA and ASIC have acknowledged, behaviour cannot be regulated. There needs to be as much focus on encouraging behaviour that avoids breaches of the Code as on monitoring compliance with the Code.

This is where the BFO can play an important role. The BFO is uniquely targeted to address the behaviour of the individual and, building on that behaviour, the conduct of institution themselves. The BFO Board believes that individuals in the banking industry should be urged to commit to an ethical oath, such as The BFO, to reinforce personal behavior and aid in ethical decision-making. In this way, an oath such as The BFO would both complement and support the Code.

Although it has disciplinary mechanisms through the Policy Council, The BFO is a voluntary individual Oath and does not have any legal standing. This is its major strength. Both ASIC and APRA have identified The BFO as an effective self-regulating tool because of its voluntary nature. As a consequence, however, we acknowledge that the BFO could not be included or integrated into the Code itself.

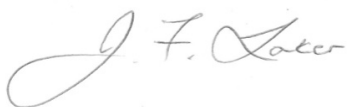
A specific proposal

Nonetheless, The BFO could be encouraged and/or recommended in a Preamble to the Code, which would set out the high-level principles that underpin the Code. We would strongly recommend that the Review consider the introduction of such a Preamble. Within this broader framework of the Code, The BFO would then serve to encourage individual staff of banks to live up to the Code and to high ethical standards. An institution with significant numbers of BFO signatories would be well placed to meet the Code through:

- creating an environment where staff are empowered to call out potential unethical conduct
- encouraging the recognition of and early conversations about ethical issues, and
- ensuring that ethical values and principles are built into the cultural norms of banks, enhancing their capacity to serve consumer interests and to retain consumer trust and confidence.

If you would like to discuss any aspect of this proposal, please feel free to contact The BFO through Cris Parker on 0413 599 076

Yours sincerely,

A handwritten signature in cursive script, reading "J. F. Laker".

John F Laker AO

CHAIRMAN

The Banking and Finance Oath Limited

Appendix A

The Oath

Trust is the foundation of my profession

- I will serve all interests in good faith
- I will compete with honour
- I will pursue my ends with ethical restraint
- I will help create a sustainable future
- I will help create a more just society
- I will speak out against wrongdoing and support others who do the same
- I will accept responsibility for my actions

In these and all other matters; My word is my bond.

For more information on The Banking and Finance Oath:

Website – <http://www.thebfo.org>

A short film from the BFO Board – <https://vimeo.com/167061556>

A short film on the role of The BFO and culture – <https://vimeo.com/178567418>



Appendix B

Banking and Finance Oath Board

Clare Payne

Emilio Gonzalez

John Laker (Chair)

Joyce Phillips

Pauline Vamos

Philip Chronican

Rob Caprioli

Rob Priestley

Simon Longstaff

Steve Harker

Steve Tucker

Trevor Rowe

Banking and Finance Oath Policy Council

Andrew Mohl

Bill Gurry

Diane Smith-Gander

Greg Hutchinson

Ian Hammond

Jillian Broadbent

Michelle Tredenick

Paul Vercshuer

Peter Marriot

Simon McKeon (Chair)

Chairpersons

Bill Mackay – Quantum Financial Services

David Gonski – ANZ

Glenn Stevens – RBA

Janet Torney – Whitehelm Capital & Club Plus Super

John Atkin – GPT Metro Office Fund

John Symonds – Aussie

Judith Downes – Bank Australia, Bankmecu

Ken Henry – NAB

Phillip Lowe - RBA

Reginald Fowler – QT Financial Planning

Victoria Weekes – OnePath Funds

Wayne Byers - APRA

CEOs

Adam Tindell – AMP Capital	John Nesbitt – Suncorp
Andrew Colliver – Banjo	Jon Sutton – Bank of Queensland
Andrew Thorburn – NAB	Luke Hally – DragonBill
Arnie Selvarajah – Bell Direct	Michael Cameron – Suncorp
Audette Exel – Adara Advisors	Michael Clarebrough – Australian Securities
Brad Cooper – BT Financial Group	Nigel Littlewood – Harness Asset
Brad Fox – AFA	Paul Heath – Koda Capital
Bruce Watson – Auscoal Super	Peter Lambert – Local Government Super
Crawford Taylor – RaboBank NZ	Saker Nusseibeh - Hermes Investment
David Atkin – Cbus	Sally Loane – FSC
David Bell – Actuaries	Shane Elliott – ANZ
David Gallagher - CIFR	Simon O’Connoe – RIAA
Fiona Guthire – Financial Counselling	Steven Munchenberg - ABA
Gregory Cooper – Schrodgers Investment	Stephen Knight – NSW TCorp
Goran Drapac – AxiCorp Financial	Sushmita Chadra – State Bank of India
Jamie Osborne – Get Capital	Thos Gieski – RaboBank
Jane Endacott – Finsia	William Hamilton – Hamilton Wealth