

Ethics and money : what is required of the banking profession

Jacques Rossier, Managing Partner, Lombard Odier Darier Hentsch & Cie

In our moralizing world, the word ethics is used and abused. Ethics, according to one of the many definitions that can be found in the dictionary, is “the discipline dealing with what is good and bad and with moral duty and obligation”. But good and bad are notions that evolve over time: what is ethical cannot therefore be defined in absolute terms.

The banker’s role in fighting crime

Organized crime and the corruption it breeds represents one of the greatest dangers to our democratic systems of government. It flourishes in the semi-anarchy that prevails in a large part of the world and is expanding rapidly owing to globalization. It is a relatively recent phenomenon, the first effects of which were noted by the international financial centres in the 1970s, linked to the boom in drug trafficking, decolonization and the oil crisis. The dismantling of the Soviet Union that started in 1989 has only made the problem worse. In recent years, professional terrorism has been added to this; mainly financed through networks that are difficult to penetrate, and originating partly from the deterioration of the atrocious civil war in Palestine.

What is right for the survival of our liberal democracies is also right for the survival of our financial centre. It is therefore up to us to provide all the help we can in the fight against money laundering.

Everyone agrees on this. But, the problems arise when it comes to the definition of a punishable crime from one country to another. In Switzerland, the principle of double criminality is very important, meaning that a state should be obliged to help others repress a conduct that is not regarded as criminal under its own law.

For example, if it is obvious that we want to co-operate fully with the United States and the rest of the world to destroy the Al Qaeda terrorist network, it should also be remembered that in more generous terms, one man’s terrorist is another man’s liberating hero. I hope that our government will manage to maintain its neutrality and follow a pondered policy.

Be that as it may, the Swiss banks have been standard setters among financial centres for many years when it comes to fighting crime. Since 1977, with a series of self-regulation measures and laws, we have set up a system whereby it is guaranteed to become harder and harder for criminal money to find refuge in Switzerland.

However, in my opinion, bankers cannot be held responsible for the morality of their clients, particularly on a fiscal level. Bankers must not encourage their clients to avoid taxes, but there

is no reason why they should put pressure on their clients to declare all their assets in their country of residence.

An ethical financial centre is a vital necessity for our future

Our little country has a very large financial centre. It is Switzerland's biggest industry. For centres like Zurich, Geneva and Lugano, the weight of this financial industry prevails. We are one of the world's leading financial centres for private asset management.

Switzerland is one of the best policed financial centres in the world. It has often shown the others the way in the fight against financial crime. For generations it has inspired foreign customers with great confidence, not only because of the competence of its bankers, but also because of its institutions and political and economic stability.

This confidence is inconceivable without a strict code of ethics and the bankers' absolute honesty.

But, we live in a competitive world and it appears that there is some jealousy of the very big market share we have acquired in a field with a high added-value. Pity is offered to the poor, but you have to be rich to earn jealousy! Quite logically, our competitors would be pleased to deprive us of what they see as our competitive advantages, particularly where our tax system is concerned.

Just as logically, we really want to defend these advantages, especially as they are based on a coherent and perfectly legitimate system.

This article was issued from "La lettre n°23" of the Geneva Private Bankers on March 2003 : www.genevaprivatebankers.com

Swiss Private Bankers Association – April 2003