CAN FINANCE BE MORAL?

Talk to Ely Cathedral Business Group
By Lord Charles Cecil
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I was flattered and honoured to be invited to address the Ely Cathedral Business Group. After I had read Tom Green's letter of invitation and looked at the web-site, I could add "nervous" when I saw the distinction of those who had spoken before.

I do applaud the concept of bringing business and religion together in this format. Many churches—not least the Church of England, to which I belong—have an ambivalent relationship with business. Sometimes with finance (that subspecies of business), the relationship is not always ambivalent—more like downright hostile. Any of you who saw the Occupy encampment on the steps of St. Pauls (which began almost exactly 3 years ago) will remember both the rage of the protestors and the ambivalence of the Church towards them.

So I stand before you—steeped in all sorts of finance for over 40 years—and to some people, I am effectively steeped in gore. Is it possible for a lender and a private equity player to be a Christian also? Or perhaps I am a hypocrite posing as a Christian. What about the scandals of Payment Protection Insurance, the improperly and imprudently granted mortgages, the disgrace of LIBOR rate fixing? What about pay-day lenders like Wonga, the hedge fund managers and private equity partners throwing million dollar parties while companies they have invested in go to the wall?

Others might say that it all depends how you do it. I am afraid that I am in this camp and I propose to explain at some—but I hope not excessive—length why I believe this is right and not just casuistry.

I would like to make a small diversion—though it has a bearing on moral behaviour and shows that the Church has not always behaved well. I come from the Diocese of St. Albans. I have heard—and of course this may be another nice legend—that at the time of the Danish invasions, the monks of St. Albans Abbey got in touch with their brothers at Ely. Would the monks of Ely house--till danger passed-- the most precious possession of Abbey, the bones of the first Christian martyr in England, St. Alban? The monks of Ely said that they would be delighted to help and the bones were duly transported to the marshy fastness of Ely. The Danes were eventually defeated, Guthrum converted to Christianity and peace descended. The monks of St. Albans asked for the return of the martyr's bones. "Sorry—no," said the Ely monks, "We are keeping them." A message came back from St. Albans "They weren't the real ones anyway."

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It is important to remember that the morality of money and particularly the lending of money has been a topic for discussion for thousands of years.

Most early religious systems in the ancient Near East did not forbid usury. For the Hittites, Mesopotamians, Phoenicians and Egyptians, usury was not only legal but the state often fixed the rates. However there are Vedic texts from ancient India which forbid usury and Buddhists prohibitions to mention a few.

The Jews took a different view—somewhat curious you may think. Lending on interest was forbidden amongst Jews. In Deuteronomy, it says "Thou shalt not lend upon interest to thy brother: interest of money, interest of victuals, interest of any thing that is lent upon interest. Unto a foreigner thou mayest lend upon interest; but unto thy brother thou shalt not lend upon interest; that the Lord Thy God may bless thee in all that thou puttest thy hand unto….". Similar sentiments can be found in Exodus, Leviticus, Ezekiel and the Psalms.

You will of course have immediately noticed that it was not forbidden to lend on interest to a non-Jew. With the mediaeval Christian prohibition of usury, this opened opportunities for Jewish lenders which course, inevitably led both to considerable profits for them but also to periodic horrendous pogroms and massacres.

Islam is even more prescriptive. Lending upon interest is totally forbidden. However Islamic banking has grown tremendously in the last decades—fuelled by the huge surpluses of money built up in the Middle East. How has this circle been squared? There has been a lot of discussion amongst Islamic jurists and any Islamic finance has to have the imprimatur of a respected Islamic jurist—some of whom I believe to make a very good living that way. Essentially the way round it is for the lender to buy the asset being financed and sell it on at a higher price to the borrower—perhaps payable in instalments, thus receiving the equivalent of interest. This seems to me extremely artificial but if those are the hoops the two parties have to jump through, so be it. However it does mean that Islam cannot permit these structures for anything other than the financing of assets.

Christianity has not got a good history of consistency in the matter of lending. Originally, usury was regarded as lack of charity. However this position hardened. At the Council of Nicaea in 325 A.D., the clergy were forbidden to lend upon interest but others could. The Middle Ages saw condemnations by the likes of St. Thomas Aquinas and Pope Clement V made belief in the right to usury as heresy. Even in the 16th century, Pope Sixtus V said charging interest is “detestable to God and man, damned by the sacred canons and contrary to Christian charity.”

So you see that if I had been a banker in those days, even in Christendom I would have been regarded as a far worse sinner than I am today. If I had been running Wonga in the Middle Ages, the stake might well have been my fate if the church courts had anything to do with it. But the churches of almost all denominations have over the last few centuries come to terms with the lending of money, though still opposed to anything resembling exploitation.

Please forgive this historical review. It is not just that I read history at university but it is important to know that the debate is a very old one.

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Whenever there is a financial crisis, the morality of finance comes to the fore. Whether finance is moral is a question that is always present but we are much more conscious of it when times are tough.

When times are tough for most, those—particularly in the financial world--who seemed to have stashed away vast fortunes that have largely survived a crash and those who seem to be doing well out of the crash are inevitably the targets of attack. (Some of you may remember the song about the fat man, the very fat man who waters the workers’ beer.) There is an implication that they were responsible for the disaster—and in some cases, it is clear that they have contributed to it. I will come to that point later.

Perhaps I should try to define what I mean by finance. I have spoken earlier of lending because that is one of the oldest forms of finance. But I think we should also include investment in its various forms—savings, personal portfolios, insurance companies (especially life insurance), pension funds, private equity and hedge funds. I feel I must also touch on those esoteric activities and products such as derivatives. I will try to avoid jargon—not only because it is mind-numbing stuff, but also because it is sometimes designed to exclude the outsider and even befuddle senior directors of financial institutions who do not understand it—even if they pretend they do. Is a mezzanine RMBS synthetic CDO (a Residential Mortgage-Backed Security Synthetic Collateralised Debt Obligation believe it or not) a good or a bad thing? I certainly do not know.

There are few more dangerous things in business than failing to ask for an explanation when you don't understand something. It may not be you who is stupid. As Warren Buffett said, "Risk comes from not knowing what you are doing."

So I am going to talk about greed, self-interest, ignorance and lack of regard for others. But I am also going to talk about essential services, the proper treatment of clients and the application of morality to finance.

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We all know that if there were no bees, the human race would be extinct. Without finance, the human race would not be extinct but we would revert to a very primitive state—positively Hobbesian with our lives being nasty, brutish and short. No mortgages, no credit or debit cards, no pensions, no government borrowing (my condolences Chancellor of the Exchequer), no payments over the web, no euros or dollars for your holidays abroad. I know this is *reductio ad absurdum* but I want to make the point that finance in most of its various forms is a necessity.

It has become even more of a necessity as globalisation increases. Trade almost always involves credit—your computer assembled in Taiwan, your bananas freighted from Ecuador, your car built in Germany. Governments and companies borrow from international banks and raise bonds from investors all over the world—usually to fund their overspending but sometimes to finance investment. If you fly through Edinburgh Airport, did you know that it was owned by Spaniards and is now owned by a consortium of international funds in which your pension fund may very well be invested? If you are a farmer, you might worry that predicted excellent harvest weather in the US, Canada and Argentina will drive down prices of wheat and you want to protect yourself from a fall by taking out a forward sale contract before the damage is done.

Of course over the last 100 years, many countries have considered a command economy with the financial system being entirely government controlled or owned. Some have even tried it. Sooner or later, this has always ended in financial stagnation or even financial collapse and usually accompanied by corruption and favouritism for the regime's apparatchiks. I point you to the Soviet Union and Argentina to mention but two. Interestingly the Soviet Union in the past, while paying lip service to communism, proved adept at exploiting the international financial system—in oil, in wheat and creating the international dollar system. Capitalists abroad and communists at home.

We must also remember the contribution that financial services make to our economy and our public finances. I apologise for the following dry statistics. In the year to April 2013, the sector paid an estimated amount of total taxes, in the region of £65.0bn, or 11.7% of total UK government tax receipts. The banks account for 77.4% of taxes borne. 1.1m people (3.8% of the UK workforce) were employed by the sector. So tax contributed by the financial sector in this country paid nearly half the country's healthcare budget or one and a half times the whole education budget. It also contributed £12.2 billion to our very fragile external accounts. That is after the crash when the financial sector contributed nearly double that, was the country's biggest exporter, tax-payer and provider of well-paid jobs.

I think we can therefore take it as read that the financial sector is critical to our lives—not only for the services that it renders but also for the contribution that it makes to the country's finances.

There are of course some key questions. One is not whether finance is necessary but is it a necessary evil or can the evil aspects be avoided or at least mitigated ? Another question is whether some forms of finance are unnecessary or positively undesirable. Then there is the question of rewards from finance—are they excessive and offensive and does this matter?

I have said to another audience that the purpose of the financial system should be to provide services and products to its clients—of whatever size. These services and products should be provided efficiently, be suited to those receiving them and at a cost that is competitive and reasonable. Sir Mervyn King, the last Governor of the Bank of England, some 18 months ago lamented the modern trends in financial services—too much emphasis on making money out of customers, too little on giving them a genuine service and the malign impact of casino trading.

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Let us look at lending money. That is what banks were for originally. As we know to our cost, they got into a lot more activities, not always to their customers' benefit and ultimately, not to the banks'.

If a bank is to do its job properly, it should know its borrowers as well as possible; this means their business, their financial stability, the purpose of the loan or overdraft. Then they should lend on conditions that reflect the risk and are possible for the borrower to meet. Of course even the most prudent bank will get it wrong from time to time—whether through misunderstanding the client or because of other conditions such as a market collapse which had not been foreseen.

It seems to me entirely reasonable that a bank should price its loans to reflect the risk. Nor can you expect a bank to lend to the uncreditworthy—at whatever price. Otherwise you are creating a rotten banking system and we will all suffer. It is ironic that so many of the world's banks did an outstanding job in bankrupting themselves without much government help. That is, however, no reason to make them now lend money badly and at the same time shrink their balance sheets and increase their capital and reserves. That would be not just immoral but stupid. The White Queen told Alice in *Through The Looking Glass* that she sometimes believed as many as six impossible things before breakfast. Some commentators today seem remarkably like the White Queen.

Where immorality in lending has appeared is the provision of finance which is not tailored to the client's needs, is nonetheless highly profitable for the lender and when problems arise, the exit of the bank seems largely predicated on the principle of grab what you can and the Devil take the hindmost. (I have a little more sympathy with the last part for reasons which I am happy to explain when we get to questions.)

We can all think of examples of this though I do not want to list every one of them. We might be here till evensong next Sunday.

In the United States, huge quantities of mortgages were granted to borrowers who never had any hope of repaying them. They neither had the income nor the prospects of income to service this debt. In many cases they were encouraged to self-certify that they had adequate income—that is, they were encouraged to lie. They borrowed money for as much as (and sometimes more than) the value of their houses. Any downturn in the housing market house values—which we know both here and elsewhere in the world was steep—spelled financial disaster for many. Exactly the same happened in this country—though perhaps not on quite that scale.

Two months ago the Bank of America, one of the largest banks in the U.S. was fined US$17 billion (yes—billion) for mis-selling mortgage-backed securities which were secured on the toxic mortgages that had been assembled through these reprehensible lending policies. That meant that not only were the banks and especially investment banks encouraging people to take out mortgages that they should not have but they then bundled up these loans into investment products and sold them on to investors--both sophisticated institutions and the unwary. The bank told the investors that they were quality assets.

After the fine was announced, there was no apology from chief executive Brian Moynihan. He said: ‘We believe this settlement, which resolves significant remaining mortgage-related exposures, is in the best interests of our shareholders, and allows us to continue to focus on the future.’ It seems that he felt less or no guilt because most of the damage was done by companies which his bank bought after the crisis broke.

Our very own and not much loved Royal Bank of Scotland (which includes Nat West) was recently fined over £14 million by the U.K. Regulators for continuing to give poor mortgage advice to customers, long after the crash.

Then there are the various lending related scandals. In the U.K. there has been, amongst others, the Payment Protection Insurance scandal. Who has not received multiple calls offering to help sue your bank for mis-selling this product? Banks are likely to pay at least £20 billion in compensation—with Lloyds in the van with around £10 billion of compensation. The top ten banks in the west have so far paid over £100 billion in fines in the last six years and there are many more to come.

So we can agree that many banks and investment banks around the world have behaved foolishly and unethically. I have to remind you that this is nothing new though the scale of it is unprecedented.

There are of course other forms of lending which are coming to the fore. Some of these cut out banks. Peer to peer lenders like Zopa, Rate Cutter and Funding Circle marry those looking for loans with those who need loans. This enables some borrowers who would never have got a bank loan or would have got it on unattractive terms to fund themselves. Of course this brings risks for the lenders.

This is undoubtedly a form of lending that is here to stay. I am sure that more and more ways of protecting the lenders will be found though risk cannot be taken out altogether. Is such lending unethical? No. Does it need supervision? Yes. We must remember that for savers who have been crucified (if I can use that word here) by low or non-existent interest rates are looking for ways to invest which reward their prudence not penalise it.

Then of course we have the infamous case of Wonga. I should mention that one investment fund which I am involved with turned down the chance to invest in Wonga. It would have been hugely profitable for us but we felt uncomfortable with the way it operated. I am also glad to say that another company which I now chair acts for the Church Commissioners in its private equity fund investment programme and I am very relieved that we did not recommend the fund in which the Wonga investment cropped up.

The problem with Wonga is not that it provides short-term loans for people who really need them but that it charges enormously high interest rates and has been sometimes pretty brutal in the way it tries to enforce repayment.

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I think that is more than enough on the subject of lending. I would like to touch briefly on certain aspects of investing which have come under attack. Private equity and hedge funds fall particularly into this category. Also there is the whole question of ethical investing—not just ethical behaviour.

Investing has become increasingly complicated and sophisticated. Investment comes in so many forms and nowadays and in many geographies. A company invests to expand and improve its business; this might be by buying machinery or buying another company to name but two possibilities. A life insurance company invests to be able to benefit not only those who hold policies with it but also its shareholders. A pension fund invests to be able to pay out to its pensioners. An individual invests in a house or the stock exchange or in children's education.

In many cases as we all know, investment portfolio management is delegated to outside specialists. It might be to hedge fund managers and private equity funds as well as more conventional professionals. They should ensure that they understand what the client wants to achieve and how much risk they are prepared to take and run the investments on that basis.

Should they invest only in ethical sectors or companies? Arab investors tell their Western investment managers to avoid companies that invest in alcohol, gambling and pornography. Many Christian bodies do the same and may add arms and tobacco companies and others.

Let us look at the Church of England's position—which is not unlike other entities in other countries whose investment codes I have seen. I must warn you that I am about to give you some rather dry but important stuff.

The Church's ethical investment advisory group looks for:
"• best corporate governance practice
• conscientiousness with regard to human rights
• sustainable environmental practice
• sensitivity towards the communities in which business operates

The Advisory Group recommends against investment in any company involved in indiscriminate weaponry. It recommends against investment in any company that derives more than 3% of revenues from the production or distribution of pornography. It recommends against investment in companies involved in conventional weapons if their strategic military supplies exceed 10% of turnover. The Advisory Group recommends against investment in any company, a major part of whose business activity or focus (defined as more than 25% of group turnover) is tobacco, gambling, alcoholic drinks, high interest rate lending or human embryonic cloning. The national Church investment bodies also reserve the right to avoid investment in companies whose management practices they judge to be unacceptable. Given the complexity of many companies, some will have business interests in areas the national Church investment bodies seek to avoid, and these are closely monitored to ensure they meet the Church's broader criteria."

But we are getting into complications. The general thrust is admirable and with a pragmatic touch. Note that taint is not enough to disqualify an investment. Perhaps you think that it should be—that you can't be just a little bit pregnant as it were. But consider for instance the current crisis in the Middle East. Christianity is being wiped out in the region of its birth. Appalling suffering is being inflicted on Christian, Yazidi and Kurdish communities. One way—possibly the only way now--of trying to halt this is to provide arms to the oppressed communities and conduct bombing campaigns. But if there were a ban by all major institutional investors on investing in arms companies, the only way in which the arms companies in the West would survive would be with state money (since an ability to defend its citizens is a fundamental duty of the state). You will then have contributed your taxes to fund the arms industry even if your pension fund has refused to. Alternatively, if the governments had not supported the arms industry, we would be wringing our hands and making appeals to better natures that, in the case of ISIS, may not exist.

I am not offering you an answer (and I can feel coming on another Thomas Aquinas-led debate on what is a just war) but I can at least point out that morality in the investment world is complicated.

I said that I would touch on private equity and hedge funds.

On private equity, the first obvious point to make is that investing in private companies is not in itself wrong. Whether it is venture capital backing new companies or buy-out funds taking over private companies, divisions of large groups or taking quoted companies private, per se this is not wrong. You would not have Facebook or Paypal. If you eat at Wagamama, its success is private equity fuelled. There are lots of statistics out there to show that private equity has very little effect on employment at the end of the day and overall it improves profitability, wages and exports.

What is clear is that sometimes private equity screws up—to put it bluntly—and sometimes also behaves badly. (But so do public companies; look at Tesco's recently and I have just a few minutes earlier been going over some of the iniquities of the banks.) Private equity groups also have on occasions managed to extract good money and left a company in a poor state. Southern

Cross, the care home company was sold by Blackstone for a handsome profit, was overloaded with debt, cut corners to the detriment of the inmates and when it went bust, left old, vulnerable people to the mercy of some freezing winds. Phones4u which recently crashed was private equity owned--though the blame game is more complicated in that case (and I would be happy to discuss it later).

And yet, private equity investment has been a major contributor of good performance to pension funds around the world. So some of you present, while shocked by the high profile scandals you read about, may yet have done well out of private equity.

Hedge funds exist in their thousands and are of infinite variety. Time is too short to go into their intricacies. Originally the idea was that a hedge fund would be a way to invest money and protect yourself by the good judgment of the manager and their use of clever devices and instruments against market losses and still make money when markets were going down as well as up. This is interesting not only for rich individuals but also for pension funds and insurance companies.

Like private equity funds, they charge high fees and take a big chunk of any profits. Like private equity managers but even more so, they often manage to protect themselves against losses or the worst of the losses. Sometimes they break the law and make good profits from insider information like Mr. Raj Rajaratnam in New York in 2011 and go to jail (in his case for 11 years with a fine of $150 million).

For the purposes of our subject tonight, I would find it very hard to argue that hedge and private equity managers are, by definition, immoral. **Some** of them do behave badly. Some of them appear to have behaved badly **frequently**. But I think you would find it hard to make a convincing case that **many of them** behave badly.

Much more for debate is whether they charge too much for what they do and whether they share the cash and gains equitably with their investors. You might say that this is immoral on the basis that it is greed and greed is a sin (one of the seven deadly ones I seem to remember). However no one has to invest in a private equity or hedge fund and by persistent questioning and perhaps with the use of a professional adviser, you can find out most of the charges and decide whether you are nevertheless going to go with the flow in the hope of making good money—even if nothing like the profits that the managers might make if things go well.

You will not be able to throw a $3 million 60th birthday party like Steve Schwarzman of the Blackstone private equity group in 2007 which "made America hate Wall Street" as one commentator said. Mr. Schwarzman eventually apologised--sort of. However you can buy Blackstone shares now and your pension fund may have invested in a Blackstone fund.

There are two other matters I would like to mention which involve morality in finance.

The first is money laundering. Let me give you a concrete example. Nigeria is Africa's largest oil producer. It is one of the continent's richest countries yet many of its inhabitants are very poor. It is also deeply corrupt. Last year a report said "At a conservative estimate - with 100,000 barrels a day believed to be the minimum amount stolen - lost revenues to the Nigerian government this year will be $3.6bn (£2.2bn) .....We tried to find cases of prosecution for money-laundering linked to crude oil theft and couldn't find one….Proceeds are laundered through world financial centres and used to buy assets in and outside Nigeria. In Nigeria, politicians, military officers, militants, oil industry personnel, oil traders and communities profit, as do organised criminal groups….

The report said that oil theft networks used foreign banks among other channels to launder or store their illicit earnings and that other African countries, Dubai, Indonesia, India, Singapore, the US, the UK and Switzerland were possible "money-laundering hotspots". It cannot be right that the financial world should connive in this or, at very least deliberately fail to perform the right due diligence—however profitable the business might be.

The second is accepting large but dubious companies onto a stock exchange with all the fees and commissions that go with it. Again let me give you a specific example. Eurasian Natural Resources Corporation, controlled by three oligarchs, floated on the London Stock Exchange in 2007. Only about a quarter of its shares were in the hands of the market. The founders had been the subject of a Belgian tax evasion enquiry before the company even floated. During its rocky time as a public company, two of its independent directors resigned after rows with the founders and controlling shareholders. The company also bought assets in the Democratic Republic of the Congo from the

government at a sweetheart price (with no doubt large sums of money going to individuals), the Congolese having seized the assets from a Canadian company—which eventually had to be given compensation.
Comments by major Western investors included “ENRC was a company that should never have been listed in the first place and should have been left well alone,” and “ENRC has not been good for shareholders, the City of London or anyone. It more than anything highlights the dangers of buying into companies with poor corporate governance and a structure of control that resembles an oligopoly.”

Of course this company should not have come to the Stock Exchange in the way it did and many distinguished grandees of the City and industry should never have gone on its board.

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How do we get better behaviour in the financial world? It is not as though they all behave badly but clearly there is a lot to be done. Those of you who saw a recent film called “The Wolf of Wall Street” might feel that fleecing the unwary, cocaine and wild parties was the norm in finance. I assure you that it is not.

Actually what worries me most is that people in the financial world risk becoming or already are detached from the lives of others and live in something of a bubble. The Roman philosopher, Seneca, raised the question “Does Man make Money bad or does Money make Man bad?” I suggest that it be rephrased to ask “**Can** Man make Money bad or **can** Money make Man bad?” and then the answer is “yes” to both.

I know that what particularly upsets many people outside the world of finance are the huge salaries and bonuses that are paid to some financial players. They seem to have been richly rewarded even if, in some cases, they were leaving land mines and delayed action bombs behind them. Perhaps you have heard of John Bogle’s *Little Book of Common Sense Investing* in which he tells a story about a customer visiting an investment bank in the US and hearing about how successful they are and how they all have fancy cars, homes and yachts.
"Where are the investors’ yachts?" the customer asks.

How do you induce better behaviour? I would argue that we need both carrot and stick. Sticks have already been cut and are being applied—with mixed success and I will come to that.

Shall we start with the second commandment—“Thou shalt love thy neighbour as thyself”?

The key here is that the client’s interests should be your priority. Sir Siegmund Warburg, perhaps the greatest post-war banker in the City, had a maxim that a banker or comparable financial professional should be like a physician in relation to the client. So the ideal is to align your interests with those of your clients. I believe that this is not only a good thing in the medium term from the business point of view but also ethically right.

This is not to say that the financial institution should not also try to align the interests of its shareholders with those of the institutions **and** the clients but I have to argue that looking after the clients properly will result in an institution whose profits and reputation will be of great benefit to the shareholders. If your clients and the markets trust you, they will have confidence with you and cash will be available—if there is cash in the system.

I would like to turn again to the Sage of Omaha, Warren Buffett. I quote---“Somebody once said that in looking for people to hire, you look for three qualities: integrity, intelligence, and energy. And if you don’t have the first, the other two will kill you. You think about it; it’s true. If you hire somebody without [integrity], you really want them to be dumb and lazy.”

So how do you instil integrity? Well of course the best way is to do so from childhood and parents, schools and church, temple, synagogue or mosque have the key roles to play—but above all the parents.

Later it also becomes the employer’s responsibility. When I joined the venerable merchant bank, J. Henry Schroder Wagg, over 40 years ago, I was assigned a mentor who was a young director of my division. The objective was not only to check on how I was doing and for me to have someone to turn to but also to make sure that I imbibed the high standards of the bank. This meant that you were not only expected to do things very well but to understand what was and what was not the right thing to do for the customers and the bank. On the whole, the ethical standards remained very high.

If you are surrounded by fellow workers and bosses who are driven above all by pay and bonuses and by the short-term financial success of the company rather than by the interests of the clients and the shareholders, then you will inevitably get abuses. That is particularly the case if there are not penalties for causing losses or unethical behaviour.

This does not mean that a bank or insurance company or fund manager should not make profits or pay their staff well. Nor does it mean that they should offer a service which is unprofitable to them. Nor does it mean that financial institutions cannot make any money through proprietary activity—i.e. for themselves. If you are good at all this, profitability and the ability to pay your people well should follow.

As an aside, excessive pay is not confined to the financial world. I note the enormous incomes of some footballers and entertainers who get much less stick from the public so I think we should at least be consistent in our criticisms.

I am glad to see that ways are being found to reduce rewards for individuals for bad behaviour or causing losses. Bonuses are delayed and can be clawed back. With some bonuses being paid partly in the shares of the employer and only released over time, some of the pain is shared. Criminal behaviour is being penalised—especially in the United States—with Mr. Madoff, the great fraudster, going to jail effectively for life.

Also, as I have said earlier, huge fines have been and will go on being levied on bad behaviour by banks, investment banks and hedge funds and their employees when they have breached the law. Not everyone gets caught or convicted but it is quite an inducement to behave better.

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It is definitely time to draw to a close. This is a complex subject but my clear conclusion is that finance is not by definition immoral. There are many examples of bad behaviour and there are vigorous attempts by authorities and regulators to stamp this out by applying major penalties. However you will never manage to stamp it out altogether.

Finance is essential to the growth and prosperity of the world. It is the job of parents, educators and religions to embed from an early age the principles of good behaviour. It is the duty of financial companies to operate to the highest ethical standards. It is the job of regulators and the law to convict and punish those who do not. It is the duty of investors large and small to hold financial companies to account for their behaviour. As Edmund Burke is believed to have said “All that is necessary for the triumph of evil is that good men do nothing.”

I will close with words of Inayat Khan, the early 20th Century Indian Sufi mystic:

Money—what are your thoughts?
I am the seal of the heart—a heart sealed by me will love me exclusively.

Money—where is your place of abode?
In the heart of the one who adores me.

Money—whom do you seek?
The one who seeks me.

Money—whom do you obey?
To the one who has elevated himself above me, I shall become his slave and be like dust at his feet.”

Thank you.

Lord Charles Cecil.
October 2014.