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Contact: Stuart P.M. Mackintosh
+1 202 331 2472
mackintoshs@group30.org
www.group30.org

New G30 Report Examines Evolution of Conduct and Culture in the Global Banking Industry Post Financial Crisis, Notes Areas of Progress, and Makes Recommendations for the Future

NEW YORK—Ten years after the onset of the global financial crisis, the banking industry has made significant efforts to understand and improve the culture of their firms, and scrutinize employee conduct. The Group of Thirty (G30) Banking Conduct and Culture Working Group today published a report, *“Banking Conduct and Culture: A Permanent Mindset Change,”* that focuses on two fundamental questions: 1.) “How much progress has been made in the 10 years since the global financial crisis, and particularly since the G30 released its first report on banking conduct and culture in 2015?” and 2.) “Where do we go from here?” The new report examines the progress banks have made since the 2015 report; shares findings gleaned from interviews with over 50 financial sector leaders; and reiterates guidance on the areas where additional efforts and attention are still required.

“A key conclusion of this report is that bank conduct and culture are at the center of a slow, uphill battle for trust,” said G30 Banking Conduct and Culture Working Group Chair **William R. Rhodes**, president and CEO of William R. Rhodes Global Advisors, and former chairman and CEO, Citibank. “Banks have done much to improve conduct and culture across the industry since the global financial crisis, but the banking industry still suffers from a negative reputation, and trust still needs repairing because serious conduct and culture failures continue to occur in many markets. Regaining trust will require persistent efforts across the industry, and on conduct and culture, boards and senior management must lead by example.” Rhodes added: “Good conduct should be celebrated and rewarded. When failures occur they should be dealt with and clearly explained, with understood consequences for employee’s pay, promotion, and even termination.”

Among the observations of progress, the report found that banks have shown a positive shift in how they view the importance of conduct and culture. The report notes that much work has been done at the most senior levels of the organization—with “tone from the top,” receiving more focus than “tone from above,” (that is, the crucial day-to-day example set by the conduct and behavior of an employee’s immediate manager or their manager’s manager). “For permanent and ongoing change to occur, banks need to focus on leadership at every level of the organization,” said G30 Steering Committee Vice-Chair **Gail Kelly**, senior global advisor, UBS AG, and former chief executive officer, Westpac Banking Corporation. “Middle management in particular plays an integral role in embedding cultural reforms. Leading by example and ensuring that day-to-day activities at the front line are consistently aligned with company values is critical.”

The report's recommendations include guidance on how changing the board structure can enable the success of cultural and conduct reforms. "There is significant risk of dilution and dispersion of responsibility for the governance of something as broad as culture," said G30 Steering Committee Vice-Chair **Sir David Walker**, chairman, Winton, and former chairman, Barclays. "We recommend the creation of a dedicated board committee to ensure continuing focused attention and accountability on culture. We have also concluded that, while difficult, conduct and behavior, the building blocks of a firm's culture, can be measured and monitored. Appropriately regular audit of conduct and behavior offers a sure pathway to effective and permanent embedding of the bank's culture."

"Culture and conduct issues are not restricted to certain regions or types of business such as investment banking," said G30 Steering Committee Member **Gerd Haeusler**, senior advisor, goetzpartners, and former chairman and CEO, Bayerische Landesbank. "A permanent mindset change will be required among European banks as well in order to fully restore trust within the public at large." Turning to the issue of bankers' pay and compensation, Haeusler added: "Incentives matter and outsized incentives can have problematic outcomes, be it in the context of sales targets or even tax avoidance and money laundering. This is why we recommend removing the link between sales targets and compensation."

The G30 study found that fostering a diverse workforce and supporting that diversity must be an area of continued focus. The report makes it clear that banks must be reflective of the diverse societies in which they operate, and that a diverse workforce has numerous business benefits, ensures better decision-making processes and outcomes, and delivers to the bottom line.

The Group of Thirty, formally known as "The Consultative Group on International Economic and Monetary Affairs, Inc." was founded in 1978. The Group of Thirty is an independent, nonprofit, international body composed of senior representatives of the public and private sectors and academia. The Group aims to deepen understanding of international economic and financial issues, to explore the international repercussions of decisions taken in the public and private sectors, and to examine the choices available to market practitioners and to policymakers. The Group is led by **Jacob A. Frenkel**, chairman of the Board of Trustees, and **Tharman Shanmugaratnam**, chairman of the Group.

G30 Media Briefing: On November 29, 2018, the G30 convened a live webcast press conference with **William Rhodes**, **Gail Kelly**, **Sir David Walker**, **Gerd Haeusler**, and G30 Banking Conduct and Culture Project Director **Elizabeth St-Onge**, partner, Oliver Wyman,. After delivering opening remarks on specific topics addressed in the *G30 Banking Conduct and Culture: A Permanent Mindset Change* report, Mr. Rhodes, Ms. Kelly, Sir David, Mr. Hausler, and Ms. St-Onge responded to journalists' questions about the report. To watch a recording of the webcast, please go to:

<https://event.on24.com/wcc/r/1859091/E5EFDEBDC69EEC2D010CBC7D3D6AF506>

To receive a copy of the embargoed G30 report, contact G30 Press Officer **Melissa Golding**, pressoffice@group30.org, +1 571 236 2820.

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