11 October 2013

What makes a Bank a "Sustainable Bank"?

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"Events over the past couple of years have raised profound questions about the ways in which banks and businesses contribute to society. For both to play their full part, they must restore trust and become better citizens in a publicly demonstrable way…. Our focus on Citizenship is not for the short term; in fact, it is how we expect to make our business sustainable over the long term." (Statements taken from the *Barclays PLC 2011 "Citizenship Report"*.)

"….our work towards becoming the UK's most Helpful and Sustainable bank has…been recognised….." (From the *RBS Group 2011 "Sustainability Report"*)

"Stephen Cecchetti, chief economist of the BIS….said five years after the financial crisis engulfed the global economy, the world appears no closer to finding a sustainable economic model. Not until regulators get to grips with the banking system's woes by forcing banks to recognise losses, take write-offs and raise capital can the path to sustainable growth begin, he said" (From a report in the *Financial Times of June 25th* (Global economy stuck in "vicious cycle" of debt reduction, says BIS", by NORMA COHEN). The comment accompanied the publication of the BIS' 2012 annual report)

The notion of sustainability has been used in several contexts in order to denote, in general terms, a reconciliation between the needs of the present and the needs of the future. In the specific context of banks and financial markets this concept needs to be further analysed, looking at possible solutions and criticalities (like those linked to the eurozone crisis and to politicians' short term interests). In the specific case of banks, an honest recognition of losses is key, as well as the search for clear and publicly available information on balance sheets. This latter would help us to understand to what extent banks have changed their "bad habits". Suggestions for improvements are then provided, such as information that enables verification and the use of "concrete" indicators of sustainability, for banks' own business and for the overall financial system. The use of "soft-law" pressure may be an appropriate choice to bring about changes.

Read the full article on Law and Economics Yearly Review [PDF].