Bank Governance Leadership Network
ViewPoints

April 28, 2015

TAPESTRY NETWORKS, INC · WWW.TAPESTRYNETWORKS.COM · +1 781 290 2270

Addressing conduct and culture issues in banking

> In this environment of eroded trust, widespread disbelief in the adequacy of bank culture and the substantial further intrusion of regulation and enforcement into the conduct of banking business, there is, I believe, urgent need for proactive initiative by the banking industry to turn the tide.
>
> – Sir David Walker[1]

Mark Carney, chairman of the Financial Stability Board (FSB) and governor of the Bank of England, expressed optimism regarding the progress in reform of international banking, saying at a November 2014 meeting of G20 leaders that a "watershed moment" had been reached. But a mere month earlier, Andrew Bailey, CEO of the United Kingdom's Prudential Regulation Authority, took a dimmer view: "We are in many ways in the second phase of the financial crisis. The first phase was a prudential one, while the second phase has revealed past misconduct … Standards of governance, conduct and the right incentives structures are all extremely important [to fix the financial system]."[2]

Banks and regulators are therefore asking what more they could have done in the wake of past issues, and what more they can or should be doing now to avoid recurrence in other places. Bank boards are wondering how they can be sure that executives are truly addressing any persistent underlying issues as they face increasing financial, reputational, and even personal risk. Regulators and policymakers, meanwhile, are considering whether further fundamental changes are needed across the industry.

Recent BGLN discussions have focused on these issues, including two meetings on March 3 in New York and March 17 in London in which participants discussed supervisors' expectations and practical approaches to addressing conduct and culture within and across banks.

Executive summary

This *ViewPoints* synthesizes key themes emerging from those discussions in the following sections:[3]

- **Renewing the focus on issues of culture in banks and banking.** Persistent misconduct and the accompanying fines have attracted greater attention not only from conduct, but also prudential regulators concerned about governance, risk management, and the ultimate safety and soundness of banks. Supervisors and bank leaders are increasingly concerned that the root cause of conduct and other risk issues is a more fundamental problem requiring long-term culture change. *(Pages 2-3)*

Tapestry Networks

EY Building a better working world

- **Developing holistic approaches to culture reform.** Addressing culture requires a structured way to target a broad range of issues across organizations. Depending on their experiences with conduct or related cultural issues, banks are at markedly different stages of developing comprehensive initiatives to address culture. A holistic approach begins with clearly defining objectives and desired outcomes (e.g. Is culture change a way to mitigate conduct risk or create value?). Then, leaders can provide examples of associated behaviors that will help achieve those outcomes, and integrate new thinking into hiring, training, incentives, and accountability. Banks are also developing new approaches to measuring and monitoring culture and informing and engaging the board. Ultimately, the board should be asking: Is the firm communicating the right message and setting behavior standards? Has the firm established an environment that supports the desired culture, including clear accountability and governance? Is transparency and escalation encouraged? Does the firm provide the right motivation and incentives? *(Pages 4-13)*
- **Integrating culture into supervisory frameworks.** Because culture is relevant to risk appetite and the potential consequences of poor culture or related misconduct so significant, many supervisors globally are experimenting with ways to assess culture, though they are at different stages in this experimentation. Some are developing new, explicit efforts to assess culture, while others are integrating observations about culture into their regular supervisory work. While there is a focus on holding banks and their leaders accountable, most supervisors understand the need for caution. They are focused on using these assessments in engaging bank leaders in discussion of possible issues rather than on enforcement. *(Pages 14-16)*
- **Instituting industry-wide initiatives.** Some cultural problems have been described as endemic to the industry, not just individual institutions. As a result, broader industry responses are also being considered. Participants suggested any such efforts, including those of the Banking Standards Review Council in the UK, should focus on issues than cannot be addressed by individual institutions, while avoiding overlap with regulation. *(Pages 16-17)*
- **Defining success.** Culture change takes time. Outcomes of cultural transformation efforts may be difficult to measure in the short-term. Participants say it is important to define success, since mistakes and misconduct will continue even as broader culture change initiatives may be effective. *(Pages 17-18)*

Renewing the focus on issues of culture in banks and banking

The *Banker* referred to 2014 as "the year of banks behaving badly," asserting that "fines for sanctions breaches and other forms of misconduct are fast replacing asset quality concerns as a potential risk to the balance sheets of the world's largest banks."[4] The costs of past misconduct are mounting: rolling conduct costs and provisions for 12 of the most-fined banks in 2009–2013 totaled $261 billion,[5] and individual penalties for banks in 2014 were among the largest to date, in some cases approaching and even exceeding $10 billion.[6] Mr. Bailey warned that "the escalation of fines … does create headwinds to rebuilding the strength of the financial system" and expressed concern about the impact on banks' ability to do business.[7] A director said, *"It is getting to the point where the acts of individuals can put in jeopardy the existence of big banks."*

"It is getting to the point where the acts of individuals can put in jeopardy the existence of big banks."

– Director

These recurring misconduct issues in banking lead many observers, including regulators, to conclude that something is fundamentally wrong with banks and banking. Mr. Carney asserted, "The succession of scandals means it is simply untenable now to argue that the problem is one of a few bad apples. The issue is with the barrels in which they are stored … Fundamental change is needed to institutional culture, to compensation arrangements, and to markets."[8] At one of the BGLN meetings, a supervisor observed, *"The FX [foreign exchange] manipulation happened after the LIBOR-rigging scandal. That triggered renewed interest from regulators, because it seemed there was no learning … It is more than processes, procedures, risk management. And the more we dig, the more find."* A recent Swiss study of business culture and dishonesty in the banking system found "that the prevailing business culture in the banking industry weakens and undermines the honesty norm, implying that measures to re-establish an honest culture are very important."[9] The research demonstrated that although the bank employees studied "behave, on average, honestly in a control condition … when their professional identity as bank employees is rendered salient, a significant proportion of them become dishonest."[10]

Some bank leaders have been slow to accept the notion that the culture in *their* institution could be problematic. Others suggest the problems exist only in isolated parts of the business. A regulator observed, *"In the absence of an identified problem, e.g. the LIBOR or FX issues, all banks seem to start with the notion that they have a great culture which is a source of their success."* In a discussion prior to the meetings a director said, *"Banks have been process machines: the rule book says you can do this, therefore it is acceptable."* Another director said that as a consequence, many issues, particularly the high-profile misconduct in capital markets businesses, have been dealt with procedurally on a case-by-case basis, rather than as part of a broader approach aimed at addressing a problem of culture. A regulator suggested that the approach to the FX problem was typical: *"We think we have solved the FX problem because we got rid of the chat rooms, etc. I don't think we have."*

"We think we have solved the FX problem because we got rid of the chat rooms, etc. I don't think we have."

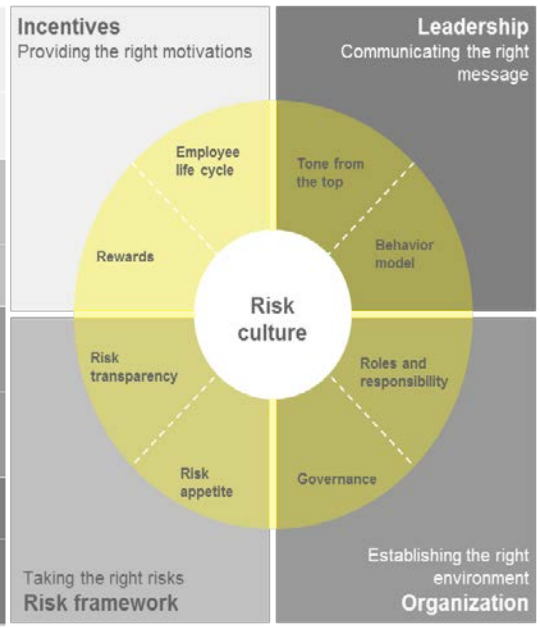
– Regulator

Developing holistic approaches to culture reform

During the meeting in New York, a participant tabulated approximately 35 different things being discussed in the context of culture. A director said, *"Culture is the sum total of all of these things."* A broad framework can help assess culture across the institution and provide a consistent context for corrective action.

EY's risk culture framework

Leadership	**Tone from the top** clearly establishes desired risk behaviors. Top and middle management approaches and behaviors are aligned.
	Risk behavior standards are established, assessed and embedded into performance management.
Organization	**Roles and responsibilities** are clearly articulated and well understood. Three lines of defense and accountability for risk management are well established.
	Risk governance is effective and facilitates open communication and challenge.
Risk framework	**Risk appetite** is clearly articulated and well understood. RA is consistent with business strategy and embedded into decision making throughout the organization.
	Risk transparency is enabled by clear and comprehensive risk reporting, including forward looking and aggregated views of risk.
Incentives	**Rewards**, including compensation and promotions, are risk and behavior adjusted.
	Employee life cycle, including recruiting, onboarding and exiting processes, promote desired behaviors and effective risk management.



Clarifying objectives

While most participants accept the need to address culture issues, banks have different business models, different histories with misconduct and, as a result, different points of departure and different objectives. Some have launched major cross-function initiatives focused on culture, while others are still considering whether a targeted program is necessary. BGLN discussions highlighted the differences in how the issue of culture is being addressed. As a starting point, leaders should consider the following question: Are we trying to mitigate conduct risk or fundamentally change our performance culture?

A director noted, *"It really does matter what you are trying to achieve. If you are trying to achieve a reduction in conduct risk, that is a limited objective. If you are trying to build your reputation, your brand, then you would have an obsession with building and protecting the brand. That is tougher, but ultimately more rewarding."* Getting culture right is about performance, not just risk mitigation. A director took that thinking further, asserting, *"The board remains excited about conduct as a risk, and everyone is talking about values and culture, but I have seen nothing to suggest further, deep, holistic thinking about building an environment where the good parts of culture become a part of your brand that affects how customers experience dealing with the bank. The board should be the guardian of that."*

A director summarized a view that others supported: *"There is a tendency to focus on a particular aspect of culture. For example, even risk culture is one aspect, and there is a danger that we focus on one element. What we are really trying to do is get everyone in the bank to behave as if they know what is in the mind of the CEO. Then systems, incentives, measures, are all trying to replicate that microenvironment for the individual."*

"What we are really trying to do is get everyone in the bank to behave as if they know what is in the mind of the CEO."

– Director

Defining the desired culture

It is important to start by agreeing on what constitutes a good or sound culture. The board should define those standards. While all banks will have refined values statements, ethics and compliance manuals, defining the kind of culture change required in banking may not be straightforward. Participants considered the way other industries, such as nuclear energy or construction, have been able to instill safety cultures and whether there could be lessons for banking. A participant noted, *"Avoiding death in the construction business is a very clear, immediate objective. In banking, it is not as clear, partly because we are slow to see the ultimate outcome."* Increasingly, bank leaders need to explain *"why we need to change,"* said one participant, and they need to understand *"what really motivates people."* Many banks jump to surveys and methodologies for assessing culture without a clearly articulated set of desired attributes. An EY subject matter expert observed, *"Few organizations have written down the behaviors that they believe are important from a risk perspective. They can only point to their corporate value statement, which typically highlights the need to put the customer first, or to their codes of conduct, which emphasize ethics and compliance. The FSB and other regulators have only provided a high level definition."*

Making tone at the top real for employees

Having a strong tone from the top is often cited as a cornerstone of effective governance. Unfortunately, values statements are not necessarily linked to clearly articulated cultural attributes with examples of associated behaviors. A director observed, *"Behaviors often haven't matched codes of conduct and values statements, so what do [the codes and values statements] mean in practice?"* Statements from the top need to translate to clearly established expectations for all employees. The test, according to one participant, is *"can employees translate the values defined by senior management into what it means to them when they come to work?"*

"Behaviors often haven't matched codes of conduct and values statements, so what do [the codes and values statements] mean in practice?"

– Director

A supervisor said, *"It starts with the rules of the road. Compliance manuals are often anodyne and principles based. I think the board has a role to play in translating that to more concrete, specific actions. It should provide guidance for employees: when an employee faces a dilemma, what does he do?"* Without that clarity and translation into specific examples of desired behaviors, a participant noted, *"Divergent points of view come out, unexpectedly. People think they know what is right, and they have the ability to justify behavior."*[11]

Working backwards from desired outcomes

A director suggested, *"If you start with the outcomes you are trying to achieve, for example, the customer experience, then you can determine what behaviors are needed to deliver those outcomes. You can identify a trail of actions."* One bank defined outcomes in each business and developed proof points to highlight the link between the behaviors needed to achieve those outcomes and the outcomes themselves. This approach can clarify the otherwise nebulous concept of a desired culture. Even descriptive terms can help. One member said, *"Culture doesn't mean anything to me. But if you say, 'service culture,' then I wake up. I can understand what that means. You have to name what you mean."*

Participants gave examples of the kinds of outcomes a good culture should aim to achieve:

- Fair value for customers
- Informed customers
- Trust from customers and the public
- Transparency

Having established desired outcomes, the board and senior management must send clear and consistent messages regarding their importance to employees regularly. A director said, *"A lot of it is about focus and persistence."*

Acknowledging the importance of tone at the middle

The board needs to understand the messages being delivered by middle management, who often influence the culture even more than senior management. In past discussions of culture, this "tone at the middle" has been identified as perhaps more important than tone at the top. A director said, *"Middle management is often at least as important as top management … They make those thousands of decisions that define culture."* And boards have a role in ensuring tone at the middle is appropriate: *"As a director, I can't be running middle management, but I can insist on understanding the processes that motivate those people."*

"Middle management is often at least as important as top management … They make those thousands of decisions that define culture."

– Director

Understanding the current culture and diagnosing potential problems

To takes steps toward improving culture, it is first necessary to understand the current culture and the gaps between it and the desired culture. Surveys are commonly used to get a baseline understanding and highlight potential problem areas. They provide concrete evidence, which, a participant said, *"makes it difficult for management to tell the board they don't have a problem."* Some participants are still struggling, however, with what the data surveys provide really tells them. A director said, *"We spent a lot of time and money to develop a state-of-the-art survey. Eighty-seven percent of respondents said they believed they work for an 'ethical company.' Is that a good result?"*

One bank randomly sampled people for interviews over six months. An executive described how enlightening this was for leadership: *"We said, 'Our culture is defined by our values and messaging from the top.' Then we tested that and found that in the businesses, nobody could articulate that. So, we conducted a diagnosis to find out what people think our culture actually is."* A particular challenge is identifying the potentially toxic parts of a firm's culture, which may exist only in small subcultures within specific parts of a particular business, far from the view of directors.

Adjusting hiring processes

Bank leaders should consider how culture is integrated into the recruiting and hiring processes and how new employees are assimilated into the culture. A participant observed, *"Changing the pipeline of people coming in is part of it. It is surprising how easy it is for bad people to simply move from one institution to another without appropriate vetting."* In a speech last year, Sarah Dahlgren, executive vice president at the New York Fed, said, "Hiring managers must be willing to look closer at the 25 to 40 year-old cohort that makes up much of the workforce in the industry. There needs to be a better understanding of: (1) what incents and motivates them; and (2) why they fail to make long-term commitments to firms."[12]

"It is surprising how easy it is for bad people to simply move from one institution to another without appropriate vetting."

– Participant

Roger Ferguson, CEO of TIAA-CREF and former vice chairman of the Federal Reserve, recently wrote, "The best person for the job will be strong in *both* kinds of skills, but I'd choose cultural fit over credentials any day."[13] This extends to the CEO: *"The board needs to hire the CEO for fit with the culture,"* participants explained, because the board should outlast individual CEOs, whose tenures are on average relatively short. Boards can transmit the culture to the new CEO to ensure it survives transitions.

Participants noted that a "mercenary" mentality, which can be common among some employees, particularly in certain businesses, may be a red flag. Traders, for example, sometimes operate as a *"business unto themselves"* and may feel greater affinity with peers at other institutions than with colleagues from other parts of their own. Rooting out the mercenary mentality may be simple: *"Don't pay up to win people."*

Improving training and communication

Some companies have started culture change initiatives with training and awareness programs. Participants emphasized the importance of coordinated, consistent reinforcement over time. Senior executives are experimenting with new forms of continuous communication with a broader audience. For example, one executive started a blog, on which examples of acceptable and unacceptable behaviors can be shared and people can be recognized for positive behaviors. Others are using videos that can be broadly distributed.

Some have asked whether banks' compliance functions might take on the role of guide as much as monitor or police. One participant noted that internal audit functions have experience assessing culture as an informal part of their work and are therefore equipped to shift to more formal assessments. Barclays has partnered with the Cambridge Business School to establish the Cambridge Compliance Career Academy, whose objective is "to equip compliance professionals with the skills necessary not only to strengthen their capability to monitor, but also to play an explicit mentoring role with business units."[14]

Balancing financial incentives

Financial incentives have garnered perhaps the greatest attention in the culture change discussion. Prior to the meetings, a director observed, *"Variable pay is seen as a big idea in improving cultures. There is a whole edifice being built around it."* While there have been a number of changes made to variable compensation, including via regulation or official guidance from supervisors, a regulator who is participating in the FSB's peer reviews of strategically important financial institutions observed that these banks *"are really grappling with incentives. There was a lot done after the FSB principles [for sound compensation practices] came out, but we have a long way to go with incentives in the first line of defense."*

Risk-adjusting bonus pools and deferred compensation has been a major focus of reforms. During one of the BGLN meetings, a supervisor suggested risk adjustment could go further: *"There has been so much focus on material risk takers, but I would argue anyone who makes a lot of money is taking risk and should be subject to clawbacks and deferrals."*

One problem is that changes to financial incentives can have unintended consequences. A director said, *"As the deferral gets bigger and bigger, people may take actions to protect it, and that could be an incentive to take actions that are unethical – for example, not reporting a loss or shuffling it into another account."* Another said, *"If you give too much ownership, that can either lead to cheating or to being overly conservative. You can overdo it."* So, the ongoing challenge is, *"Where is the balance and how do you achieve it?"*

Efforts to adjust variable pay are also challenging in a sector in which competition for talent is global but efforts to address compensation vary by jurisdiction. Regarding pay provisions in the United Kingdom's new senior-managers regime, a commentator predicted, "This is likely to drive up fixed salaries because of the level of risk individuals are required to assume, make recruitment more difficult, and put individual and collective responsibility in conflict."[15] Perhaps in response, Mr. Carney has argued for clawback provisions to include not just bonuses but also fixed pay.[16] A director observed that although the United Kingdom and European Union are imposing caps on incentive compensation, *"incentive caps are not happening in the US and Asia, making it hard to have coherent global pay structures. These are not local markets for some of these people; they are global, and recruiting people in New York and Asia will be difficult if you are under European rules."*

"You cannot solve the problem with one measure, not even compensation."

– Participant

Despite the power of financial incentives, participants caution against overreliance on them. One said, *"You cannot solve the problem with one measure, not even compensation."*

Increasing individual accountability

A participant asserted, *"The right culture encourages everyone to hold everyone else to account."* But this leads to the questions, *"How do you hold people accountable? Who do you hold accountable? How does the performance management system take these kinds of behavioral issues into account?"*

Many banks are incorporating new elements into employee evaluations. A director said, *"Values have to be incorporated into the appraisal process."* A participant described one organization that uses a 360-degree review to assess how well senior executives uphold the firm's values. If they do not receive a minimum score for each value, their bonus is removed or they do not advance, with no exceptions. This participant observed, *"It may be a bit extreme, but it is how you bring this to the ground."*

While strengthening accountability is an important part of improving culture, sharpened individual accountability can also have detrimental consequences. How do you ask employees to hold each other to account without creating the feeling of a police state? The atmosphere takes a toll: *"People are not leaving in droves, but they are retiring early, and many are just drained by it all."*

The focus on accountability is raising some additional concerns, as well:

- **Uncertainty about responsibilities.** A director asserted, *"We need to be clearer regarding what people are being held accountable for."* Another asked, *"Can you penalize someone, not for doing something wrong, but for being aware of it?"* Another participant said that responsibility should lie with business heads and noted that *"what you say, ex-ante, about the accountability of business heads"* can send a strong message about who is ultimately accountable.

> *"We need to be clearer regarding what people are being held accountable for."*
>
> – Director

- **Privacy concerns.** Although *"public hangings are effective,"* legal prohibitions limit how much a firm can publicize reasons for someone's dismissal. A participant said, *"When we found bad behavior, the response was to get rid of the person privately, but then they turn up at a bank down the street, because we haven't made it public."* Internally, people often know, and the force of example can still be powerful, but to the extent that the knowledge remains within the institution, bad actors can simply go elsewhere.

- **Creating fear.** A participant said the focus on accountability has *"created a lot of negative conduct incentives"* and observed that *"the positive is more difficult to reward."* The result, according to this participant, *"is that we have people who may think they are better off doing nothing because we penalize anything negative so much. We have extended a zero tolerance approach to any breach. We all want to be culture based, but we are all doing things that are much more about rules."*

Expanding monitoring and measurement

Culture encompasses behaviors and attitudes that can be difficult to assess and interpret. Most participants acknowledged that data gathering can help with assessment, but truly understanding culture requires considering the bigger picture and seeing how the various pieces fit together.

Having asked if culture can be measured, a regulator asserted, *"If I ask [supervisors] about culture in the banks they supervise, I assure you they have an answer, which is based on observing patterns of behavior that cut across lines of business or run top-to-bottom within lines of business. You can make empirical assessments."* The regulator said that non-executive directors should be able to make similar assessments about how well standards and expectations are being met.

"If I ask [supervisors] about culture in the banks they supervise, I assure you they have an answer."

– Regulator

Banks are engaging in various forms of monitoring:

- **Employee surveys.** Surveys can provide a baseline understanding of the firm's culture and a way of tracking changes over time. They offer a useful source of feedback on culture change efforts, but they have limitations. An EY subject matter expert noted that some banks, *"in reaction to events, have rushed to conduct surveys, and then are left with the results, saying 'The survey has some really interesting stuff, but now what do we do with it?'"*
- **Hotlines, focus groups, and town hall meetings.** To amplify weak signals from employees, banks are offering more opportunities for employees to ask questions and share concerns with senior management directly or via mechanisms such as employee hotlines and focus groups. An EY subject matter expert asserted the need to go beyond surveys: *"Surveys alone rarely identify what the problems are, what causes them, or how to address them … Structured interviews and focus groups are a much more effective approach."* Some banks hold regular town hall meetings to allow employees to ask questions and engage in discussions directly with senior management. One firm has an external conduct adviser who, along with the chairman and CEO, meets with new employees each year to address these issues. A participant observed, *"You would be surprised the extent to which younger and mid-career employees raise seemingly elementary questions about what they should do in different circumstances."*

"You would be surprised the extent to which younger and mid-career employees raise seemingly elementary questions about what they should do."

– Participant

- **Leading indicators.** A director said, *"We are all dealing with issues we don't exactly know how to measure or grade other than by looking at the result, for example the number of violations, mostly things which are post facto rather than ex ante."* Many firms are identifying leading indicators to alert them to possible culture issues. JPMorgan Chase, for example, tracks "whether workers skip compliance classes, violate personal trading rules or breach market-risk limits" to try to predict future behavior.[17] Others are experimenting with "soft indicators," such as what words employees are using: a consulting firm reportedly determined that the use of the word "workaround" was a red flag signaling a willingness to bypass rules or policies.[18]

- **Behavioral monitoring.** A director noted that firms are increasing monitoring of a broader range of behaviors, such as chat room activity, which is not easy: *"The words sound great, but it is not trivial stuff to try and do across business lines."* Another director said that *"at more stages in processes,"* the risk and compliance functions needed to *"check more intrusively what is going on."*
- **Expanding the role of control functions.** Internal audit and risk functions are increasingly including cultural indicators in their work. The relationship between the control functions and the businesses can also offer important insight. A director said, *"There should be some tension, which is healthy, but if there is too much tension, you probably have a problem."* One participant suggested bringing the CRO and business heads in front of the board together to discuss any potential issues or areas of tension.

When some kind of "cultural breach" occurs, bank leaders are trying not only to be sure they learn any directly applicable lessons and remediate the issue, but also to make sure the issue is not treated as a one-off and to ask whether it could offer insight into where else issues might arise. An executive said, *"With bad outcomes, problems with culture become more evident; failures are always insightful."* A director observed, *"If you see issues in one place, you should be looking very hard in others where they could also exist."*

While some participants remain skeptical about devoting resources to increasingly complex methods of measuring something like culture, one stated, *"Organizations that identify the right metrics will succeed."* And though one director noted, *"We have not intentionally been looking at the wrong things,"* others are confident their ability to monitor and assess culture is improving. One said, *"We are getting there with regards to the management information,"* but continued, *"the question becomes what do you do with it?"*

Are bank structures and business models to blame?

According to some participants and commentators, a fundamental business question may be at the heart of cultural challenges. A director said, *"Terms like 'culture,' are sometimes hijacked to avoid the real discussion, so if you ask the board, 'Do we need to change the culture?' they will say no. But the real fundamental notion is that banking as practiced by the larger groups in the last 10 years will never come back. Therefore, if we don't radically alter the culture, we will not have sustainable businesses."*

An editorial in the *Financial Times* stated, "On their websites, banks list company values like 'integrity' and 'putting customers first.' But no matter how well meant, applying them to such sprawling organisations has turned out to be near-impossible. This adds weight to calls for a split between investment and retail banks."[19] A director acknowledged, *"You have subcultures that are particularly promiscuous. For example, in the FX issue you had perpetrators that felt more ties to peers at other organizations than to their own. So, do you get out of the FX business? Reform it? Or does it leave banking?"* Yet, another noted that there were *"horrendous misselling practices in retail banking,"* that were *"at least partly attributable to culture and … incentives."*

A director predicted, *"There will be a push from regulators now to press for banks to split up … It will be the final chapter in the long road to recovery after the crisis."* In a speech in October, Bill Dudley, the president of the Federal Reserve Bank of New York, warned, "If those of you here today as stewards of these large financial institutions do not do your part in pushing forcefully for change across the industry, then bad behavior will undoubtedly persist … The inevitable conclusion will be reached that your firms are too big and complex to manage effectively."[20]

Adapting board oversight

Many directors are concerned about the level of detail required to get a handle on operational issues, or to monitor the behavior of tens or even hundreds of thousands of employees. A director acknowledged, however, *"Some directors have been surprised by what is really going on in their organizations. That has caused some to ask, 'What else can I do? What I see looks fine, but then I discover that deep down, it isn't.'"* A supervisor asked, *"Is culture something boards are genuinely worried about, or do they view this as just the flavor of the month from regulators?"* The consensus among BGLN participants is that boards and directors – feeling real pressure and increasingly exposed to personal legal and reputational risk – are taking this seriously. One director described a common perception of the current situation: *"You are now responsible for the behaviors of all of your employees, everywhere, all of the time, and the consequences of misconduct are now quite drastic."* Despite concerns that this accountability may be unrealistic, participants agreed that the board has an important

"What I see looks fine, but then I discover that deep down, it isn't."

– Director

part to play in establishing and supporting culture change. A regulator said, *"Frankly, if management wants to change the culture, they cannot do it without the board's backing."* As a result, boards are taking practical steps to ensure they are addressing culture:

- **Establishing formal committee responsibility.** Some banks have set up a separate committee to oversee management's efforts to address culture or conduct. Proponents say this helps to ensure that as much attention is paid to operational and reputational risks as to financial risk governance, while also avoiding having the full board become distracted from other core responsibilities. Others are explicitly identifying which standing committee has responsibility for oversight of conduct and culture in detail, or which aspects are the responsibilities of which committees.
- **Increasing verification of management information.** A director pointed out that no matter how much information the board requests or how many indicators they create, *"it is still a picture that is painted for the board by management. You can prod, request examples, ask follow-up questions, but by definition, we are dependent on the information provided by management."* Methods of verifying that information include spending more time with people two to three levels down from the C-suite and seeing if the picture of the culture painted by management aligns with what the board can observe directly. Boards may also need to reconsider the way management presents information, to ensure risk is considered not just by materiality, but by the potential reputational impact even individual products can represent.
- **Ensuring processes are robust.** A director observed, *"It is really a question of how you satisfy yourself that there is a process in place. It requires a process management approach."* With governance processes and things like new product approvals, directors are increasingly reviewing *"what gets consideration and what is valued."* Similarly, a director said boards can challenge management to demonstrate that they are doing the right things. For example, *"you can always say, 'Show me your research that supports this proposal,' versus designing a product and then find[ing] someone to sell it to."*
- **Making sure performance targets do not encourage unwanted behaviors.** Boards can ensure performance targets are balanced with other considerations. A director said, *"Boards should look closer at targets and then try to consider what behaviors [they are] driving."* Another participant tells underperforming businesses, *"Don't do anything heroic."* Ultimately, several participants agreed with a regulator who said, *"Changing culture means at some point, revenue will be at risk as a result,"* or, as an executive put it, *"One way our culture is most clearly expressed is when we say no to a client."* Many directors noted the need to review highly profitable businesses and products as closely as underperforming ones. One director said, *"Few boards get information showing where the products with the highest profit margin are. It is complicated in banking by transfer pricing, etc., but we should have insight into that."*

"Boards should look closer at targets and then try to consider what behaviors [they are] driving."

– Director

Integrating culture into supervisory frameworks

The New York Fed's Ms. Dahlgren agreed with those who say that "trying to regulate something as dynamic and amorphous as culture would be counterproductive and would overstep the purview of regulators," but then qualified that statement, saying, "Regulation is one thing; supervision is another … Financial institutions should expect greater supervisory attention to culture."[21] While the term "culture" has now become commonplace among regulators – the *Wall Street Journal* tabulated 44 references to culture in one senior regulator's speech late last year – it remains problematic for some. One said, *"We are not always comfortable using the word 'culture,' but it connotes a more fundamental problem as opposed to isolated issues that need to be addressed."* Another supervisor firmly justified supervisory involvement: *"The supervisors' job is to understand risk appetite and whether the capital position is commensurate with the risk appetite. Culture relates to risk appetite. That is why it is of interest."*

Conduct and culture are a prudential concern

In 2014, Thomas Curry, the US comptroller of the currency, wrote, "As a regulator, I worry as much about the loss of trust and confidence in the system as I do about liquidity, capital, and underwriting practices."[22] The Financial Stability Board puts the blame for loss of trust on misconduct: "Misconduct in financial institutions has the potential to create systemic risks by undermining trust in financial institutions and markets." The FSB has added misconduct to its agenda and will review incentives and standards in specific markets.[23]

"Prudential regulators are getting far more engaged in the conduct and culture agenda now because they have an interest in the outcomes."

– Participant

A participant observed, *"Prudential regulators are getting far more engaged in the conduct and culture agenda now because they have an interest in the outcomes."* A prudential supervisor reported that 40% of reporting to the supervisor's own board in 2014 was conduct related. After some horizontal reviews of market practices, a supervisor said, *"Everything that comes back is culture."*

Supervisors are still experimenting with assessing culture

One supervisor said, *"Culture is not uniformly at the top of regulators' agendas, and there are differences of opinion regarding the resources that should be thrown at it."* But another observed, *"I was in a meeting of senior supervisors from around the world, and culture was on everyone's agenda."* This supervisor acknowledged that most are in a *"period of experimentation"* as to what they can or should do. Some are conducting explicit culture reviews, while others are finding ways to integrate culture into their broader supervisory work. Some have been experimenting with more formalized approaches for several years; others have only recently begun to consider how they might include cultural assessments in their work. A supervisor noted that while behavior and culture have not historically been at the forefront of supervisory assessment, *"we have always asked why we are finding things, looking for the root cause. So 'culture' is not new, but it was contextual. Now it is increasingly the primary objective of some supervisory work, at least in concept."*

Another regulator predicted *"a paradigm shift in how effective supervisors do culture work … We will be looking at tendencies, patterns, potential outcomes."* Some supervisors are seeking feedback on how they can best focus their efforts. Generally, BGLN participants suggested any cultural assessment should be the result of the full range of supervisory engagement, because *"you cannot have a single approach and think you understand the culture."* Equally, they cautioned against too much emphasis on the things labeled "culture processes" in banks, because as one said, *"The documentation of a great culture and a great culture are not that closely correlated."*

The focus on individual accountability raises some concerns for bank leaders

Recently, there have been moves to increase individual accountability for bank conduct. The United Kingdom's Senior Managers Regime holds executives and non-executive directors explicitly accountable for boardroom decisions and includes a "presumption of responsibility," which will reverse the ordinary burden of proof and require improved evidence of oversight to show that "reasonable steps" have been taken to prevent, stop, or remedy breaches. An EY analysis concluded that bank leaders "need to show increased understanding of key business and strategic activities, and their associated risks."[24] Despite all this, a supervisor observed, *"We rarely go after individuals."*

"For the first time I can remember, people are saying, 'No, thanks,' to board positions."

– Executive

Directors shared potential responses to this increased burden of personal accountability:

- **Increased caution.** A director predicted, *"(1) Directors and executives will be much clearer regarding what are their responsibilities and what are not; (2) we will be much more careful in the writing of minutes and the language used; and (3) there will be more discussion about what level of detail regulators expect boards to understand."* Some will simply choose to avoid banking altogether: an executive said, *"For the first time I can remember, people are saying, 'No, thanks,' to board positions."*
- **Renewed questions about lines of responsibility.** Some are renewing old questions about the line between non-executives and executives and asking practical questions about director qualifications and independence. An executive commented, *"Regulators are second-guessing where accountability lies for non-executive directors and senior management. We have heard a view that [non-executive directors] will be held responsible for product approvals. It can get into dangerous territory."* Regulators continue to update their guidance regarding the roles of the board and management and to articulate regulatory expectations more clearly. A regulator said, *"Our interest is in how the board holds the executive to account … We always go to the CEO first, but if we don't get a good answer, we go to the board."*

"How do we as actors in this culture behave when we see something we don't like?"

– Supervisor

Cultural assessments will be about engagement more than enforcement

A supervisor explained why regulators are likely to be temperate in their approach to banks: *"How do we as actors in this culture behave when we see something we don't like? If we hammer the bank, they won't be as open with us, but if we see something* *that is potentially serious, we have to do something."* Another said, *"We have to be judicious, not come across like our hair is on fire. But we need to see that the behaviors are the ones we have been encouraging."*

While conduct regulators and other authorities have focused on enforcement, resulting in the fines and sanctions referenced previously, most prudential supervisors are more interested in engaging with leaders about culture and potential issues, noting the "high bar" they are setting before moving to enforcement. Even supervisors who have historically had limited direct interaction with directors are *"stepping up engagement with the board,"* in some cases attending board meetings. Directors generally welcome this interaction, since regulators can provide an independent perspective on practices across the industry. A regulator said supervisors should *"flag problematic tendencies to the institution and consider whether the organization understands the implications for behaviors, incentives, etc."*

"We do judge people by their responses to mistakes. Often, they are in denial, saying, 'We have sorted it.' But they haven't. "

– Regulator

Supervisors will be making assessments about the quality of governance if and when conduct issues emerge. A regulator noted, *"There is a duality to the role: we have some aligned interests with directors, but we also have to assess you as directors. But, we can follow-up with you after we have discussed an issue and ask about what you are doing to get comfortable."* Another said, *"We do judge people by their responses to mistakes. Often, they are in denial, saying, 'We have sorted it.' But they haven't. What does that tell me?"*

Instituting industry-wide initiatives

Persistent critiques of industry culture have caused some to call for broader industry responses. A prominent example of a response is the Banking Standards Review Council (BSRC) in the United Kingdom. See "The Banking Standards Review Council," below. Participants discussed the role it and additional industry-wide initiatives could play. In general, they suggested focusing on those things that can only be done collectively. There is skepticism about whether banks will coordinate on some of these challenges – one participant said simply, *"We are not very good at sharing."* Others questioned whether initiatives that look like attempts at self-regulation were feasible or simply duplicative, given the focus on official regulation. Still, participants see opportunities for collaboration on the following:

- **A registry for bad actors.** Participants are frustrated with the ease with which "bad apples" can move from bank to bank. Some called for new licensing or registration requirements for bankers. One suggested the model used by the Financial Industry Regulatory Authority in the United States might be leveraged more broadly in banking. Others have suggested a points system for bankers, whereby violations would result in points, which would accrue up to a threshold. Reaching the threshold would result in loss of one's license.[25]

- **A utility for sharing information.** Given the focus on anti-money laundering, Bank Secrecy Act and broader concerns about know your customer rules, banks are spending a lot of money and resources to repeat work on the same individuals and organizations. A utility that could conduct due diligence might *"raise the bar, while spreading and sharing the cost."* Work by the Depository Trust Company and Financial Crimes Enforcement Network might represent the beginnings of such an effort. Unfortunately, participants see legal roadblocks and privacy concerns standing in the way of such an initiative. However, with changes in law it might be possible to create a safe harbor.

- **Improved discussion of market and other practices.** Participants see benefit in improved discussion of market practices across the industry, which could help end hitherto accepted practices that would be difficult for any individual institution to quit without incurring a competitive disadvantage. Participants said that in some markets (such as Hong Kong and Singapore), there is already effective coordination among regulators, central banks, and the industry on a range of market practices. While some questioned whether standards set by the industry could ever be endorsed by regulators, one participant said industry groups can share good practices: *"It is difficult for the regulator to be positive in any assessment. Bodies like the BSRC can offer positive examples, good practices."*

"It is difficult for the regulator to be positive in any assessment. Bodies like the BSRC can offer positive examples, good practices."

– Participant

The Banking Standards Review Council

At the completion of his May 2014 review of banking for the UK parliament, Sir Richard Lambert reported, "My conclusion is that there is a strong case for a collective effort to raise standards of behaviour and competence in the banking sector, and that the best way to deliver this is by setting up a new and independent body to drive the process forward."[26] In response, the Banking Standards Review Council was established. It has since named a chair, CEO, and more recently, a board. Discussions with those close to the BSRC suggest an initial focus on the following:

- Developing standards (e.g., for whistleblower and other policies and processes)
- Conducting assessments of culture and behavior and producing an annual report to include examples of good practices
- Working for reprofessionalization of the industry (i.e., working with existing industry groups to develop certifications for bankers, modeled on the legal and accounting professions)

Defining success

Culture can take a generation to truly change, which makes defining success particularly challenging. Success will require time, persistence, and focus. A director observed, *"Some of these cultural issues are so deep down in organizations that even with a new*

CEO, a new strategy, four or five years of working at it, you don't root those out." Participants expressed two primary concerns regarding public perceptions:

- **Sanctions for past misconduct will continue to erode trust.** A director said, *"We are longing for when we can say, 'Enough is enough,' as far as looking backward and addressing past issues. We will come down hard on any future issues."* An executive acknowledged, *"We are not there yet."* Success can only be measured by fewer incidents of misconduct in the future. Yet, a director observed, *"Every time you raise awareness around processes, the first thing you see is an increase in reported issues."* Therefore, in the short term, it will be difficult to judge progress by outcomes.
- **Any misconduct will be viewed as a cultural problem.** Participants fear that any misconduct will be cast as an issue of culture or used as evidence to suggest they are not doing enough. A director noted that *"you can have perfect governance, perfect management, and a perfect culture and still have rogue bad conduct."* Some participants expressed concern that banks are now being held to a zero-failure standard, which is simply impossible.

In this context, how can boards and supervisors define success? A participant asked, *"If we stipulate that perfection is impossible, then what?"* Participants suggested the following would be useful in determining if their efforts were bearing fruit:

"Until we see you turning down clients, impacting the way you do business, it is just a strap line."

– Regulator

- **Processes are viewed as effective.** A regulator said, *"You can have accountability mechanisms that are trusted as working, and therefore a good culture."* The question then is, *"How do board members feel about the basic blocking and tackling"* being done by management? Are the processes indeed in place and trusted by employees? An executive said, *"Our surveys demonstrated great awareness of our culture change efforts, but only one- third of respondents thought it was making any real difference."*
- **The culture is having a real impact on business decisions.** Ultimately, the culture should be *"pervasive, truly embedded in the way people think and act."* Is it affecting business decisions and costing the bank revenue? A regulator said, *"It all comes down to moments of truth. Until we see you turning down clients, impacting the way you do business, it is just a strap line."*

★★★

The BGLN has been discussing culture since 2009, and it is likely that culture will continue to be on the agenda for executives, boards, policymakers, and regulators for the foreseeable future. The industry faces a multi-faceted, long-term challenge to change the way it conducts business, who it hires, and how it measures success. Achieving the necessary transformation while also complying with strict regulatory constraints and under close supervision will take effort. Failing to make the cultural transformation could have undesirable consequences: either continued conduct issues (or major losses) will feed a narrative that banks' efforts to improve culture are insufficient, and the banks could face new regulations, or – more extreme – drastic structural changes may be demanded. Equally, banks will need a culture that encourages innovative thinking to attract good people and flourish in a world of new and emerging competitors. In effect, the cultural attributes that drove success in the past may not be the ones needed to be successful in the future.

At the close of a workshop on culture hosted by the Federal Reserve Bank of New York in 2014, Bill Dudley stated, "It is up to you [bank leaders] to address this cultural and ethical challenge. The consequences of inaction seem obvious to me – they are both fully appropriate and unattractive, compared to the alternative of improving the culture at the large financial firms and the behavior that stems from it. So let's get on with it."[27]

About the Bank Governance Leadership Network (BGLN)

The BGLN addresses key issues facing complex global banks. Its primary focus is the non-executive director, but it also engages members of senior management, regulators, and other key stakeholders committed to outstanding governance and supervision in support of building strong, enduring, and trustworthy banking institutions. The BGLN is organized and led by Tapestry Networks, with the support of EY. *ViewPoints* is produced by Tapestry Networks and aims to capture the essence of the BGLN discussion and associated research. Those who receive *ViewPoints* are encouraged to share it with others in their own networks. The more board members, members of senior management, advisers, and stakeholders who become engaged in this leading edge dialogue, the more value will be created for all.

About Tapestry Networks

Tapestry Networks is a privately held professional services firm. Its mission is to advance society's ability to govern and lead across the borders of sector, geography, and constituency. To do this, Tapestry forms multi-stakeholder collaborations that embrace the public and private sector, as well as civil society. The participants in these initiatives are leaders drawn from key stakeholder organizations who realize the status quo is neither desirable nor sustainable, and are seeking a goal that transcends their own interests and benefits everyone. Tapestry has used this approach to address critical and complex challenges in corporate governance, financial services, and healthcare.

About EY

EY is a global leader in assurance, tax, transaction, and advisory services to the banking industry. The insights and quality services it delivers help build trust and confidence in the capital markets and in economies the world over. EY develops outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, EY plays a critical role in building a better working world for its people, for its clients and for its communities. EY supports the BGLN as part of its continuing commitment to board effectiveness and good governance in the financial services sector.

Appendix: Discussion participants

Over the last six months, Tapestry and EY hosted two BGLN meetings on conduct and culture in banking and had nearly 40 conversations with directors, executives, regulators, supervisors, and other thought leaders. Insights from these discussions informed this *ViewPoints* and quotes from these discussions appear throughout.

The following individuals participated in BGLN discussions on conduct and culture:

Bank directors and executives

- Lord Norman Blackwell, Chairman, Nomination and Governance Committee Chair, Remuneration Committee Member, Risk Committee Member, Lloyds Banking Group
- Kathy Casey, Non-Executive Director, Audit Committee Member, Financial System Vulnerabilities Committee Member, HSBC
- Sir Sandy Crombie, Non-Executive Director, Group Performance and Remuneration Committee Chair, Audit Committee Member, Group Nomination Committee Member, RBS Capital Resolution Board Oversight Committee Member, RBS
- Sally Dewar, Managing Director, JPMorgan Chase
- Alan Dickinson, Non-Executive Director, Risk Committee Chair, Audit Committee Member, Lloyds
- Dina Dublon, Non-Executive Director, Risk Committee Chair, Deutsche Bank
- Morten Friis, Non-Executive Director, Audit Committee Member, Nominations Committee Member, Risk Committee Member, RBS
- Bob Herz, Non-Executive Director, Audit Committee Chair, Morgan Stanley
- Mark Hughes, Chief Risk Officer, RBC
- Olivia Kirtley, Non-Executive Director, Audit Committee Chair, Compensation and Human Resources Committee Member, Executive Committee Member, US Bancorp
- Nick Le Pan, Non-Executive Director, Risk Management Committee Chair, Corporate Governance Committee Member, CIBC
- Brian Levitt, Chairman, TD Bank
- Rachel Lomax, Non-Executive Director, Conduct and Values Committee Chair, Audit Committee Member, Risk Committee Member, HSBC
- Mike Loughlin, Chief Risk Officer, Wells Fargo
- Sir Callum McCarthy, Non-Executive Director, Strategy Committee Vice Chair, Risk Management Committee, Nomination Committee, ICBC
- Heather Munroe-Blum, Non-Executive Director, Governance Committee Chair, Risk Committee Member, RBC
- Don Nicolaisen, Non-Executive Director, Compensation, Management Development and Succession Committee Chair, Audit Committee Member, Morgan Stanley

- Mike O'Neill, Chairman, Executive Committee Chair, Audit Committee Member, Ethics and Culture Committee Member, Nomination, Governance and Public Affairs Committee Member, Personnel and Compensation Committee Member, Citigroup
- Nathalie Rachou, Non-Executive Director, Audit, Internal Control and Risk Committee Member, Société Générale
- David Roberts, Chair Elect, Risk Committee Chair, Audit Committee Nomination Committee Member, IT Strategy and Resilience Committee Member, Nationwide
- Anton van Rossum, Non-Executive Director, Risk Committee Member, Credit Suisse
- David Sidwell, Non-Executive Director, Risk Committee Chair, Governance and Nominating Committee Member, UBS
- Antonio Simoes, Chief Executive Officer, UK, HSBC

Regulators, supervisors, industry groups

- Alan Brener, Banking Standards Review Council
- Philippe Bertho, Head, Banking Supervision, Department Two, French Prudential Supervision Authority
- Sarah Dahlgren, Executive Vice President, Financial Institution Supervision Group, Federal Reserve Bank of New York
- Mike Gibson, Director, Division of Banking Supervision and Regulation, Federal Reserve System
- Mike Hsu, Deputy Associate Director, Division of Banking Supervision and Regulation, Federal Reserve System
- Michael Loretan, Head of Asset Management Division, Swiss Financial Market Supervisory Authority FINMA
- Steve Manzari, Senior Vice President and Head, Complex Financial Institutions, Financial Institution Supervision Group, Federal Reserve Bank of New York
- Lyndon Nelson, Executive Director, UK Deposit-Takers Supervision, Bank of England
- Marty Pfinsgraff, Senior Deputy Comptroller for Large Bank Supervision, Office of the Comptroller of the Currency
- Jeremy Rudin, Superintendent, Office of the Superintendent of Financial Institutions

EY

- Andy Baldwin, EMEIA FSO Regional Managing Partner
- Patricia Jackson, EMEIA Head of Financial Regulatory Advice
- Ted Price, Advisor, Risk Governance
- Hank Prybylski, Global Risk Management Leader, Financial Services
- Bill Schlich, Global Banking and Capital Markets Leader, Financial Services

Tapestry Networks

- Dennis Andrade, Principal
- Leah Daly, Principal
- Jonathan Day, Vice Chairman
- Colin Erhardt, Associate
- Peter Fisher, Partner

Endnotes

[1] David Walker, "Trust and Trustworthiness in Banks and Bankers" (speech, Federal Reserve Bank of New York workshop on reforming culture and behaviors in the financial services industry, October 20, 2014), 3.

[2] Andrew Bailey, speech at the City Banquet (London, October 16, 2014), 2.

[3] *ViewPoints* reflects the network's use of a modified version of the Chatham House Rule whereby comments are not attributed to individuals, corporations, or institutions. Network participants' comments appear in italics.

[4] Philip Alexander, "2014: The Year of Banks Behaving Badly," *Banker*, December 1, 2014.

[5] Alexander, "2014: The Year of Banks Behaving Badly."

[6] See for example, Ben Protess and Jessica Silver-Greenberg, "BNP Paribas Admits Guilt and Agrees to Pay $8.9 Billion Fine to U.S.," *DealBook* (blog), *New York Times*, June 30, 2014; US Department of Justice, "Bank of America to Pay $16.65 Billion in Historic Justice Department Settlement for Financial Fraud Leading up to and During the Financial Crisis," news release, August 21, 2014.

[7] Max Colchester, "PRA's Bailey Calls for International Cooperation Over Bank Fines," *Wall Street Journal*, September 23, 2014.

[8] Kamal Ahmed, "Carney Puts Bankers' Pay in Spotlight after Misconduct Shockwaves," *BBC News*, November 17, 2014.

[9] Alain Cohn, Ernst Fehr, and Michel André Maréchal, "Business Culture and Dishonesty in the Banking Industry," *Nature,* no. 516, 86-89.

[10] Ibid.

[11] The participant's comment related to a discussion regarding a Harvard Business School case study: Joseph L. Badaracco Jr. and Jerry Useem, *Conflict on a Trading Floor*, HBS Case Collection (Harvard Business School, 2006).

[12] Sarah Dahlgren, "The New Era of Supervision: Progress to Date and the Road Ahead," (speech, New York Bankers Association's annual meeting, New York, October 29, 2014).

[13] Roger W. Ferguson, "How a Bad Hire Taught Me This Crucial Lesson," *LinkedIn Pulse,* April 6, 2015.

[14] Walker, "Trust and Trustworthiness in Banks and Bankers," 5.

[15] Alexander, "2014: The Year of Banks Behaving Badly."

[16] "How Bankers Are Paid Is Now Everyone's Business," *Financial Times,* November 17, 2014.

[17] Hugh Son, "JPMorgan Algorithm Knows You're a Rogue Employee Before You Do," *Bloomberg Business,* April 8, 2015.

[18] Emily Glazer and Christina Rexrode, "As Regulators Focus on Culture, Wall Street Struggles to Define It," *Wall Street Journal*, February 1, 2015.

[19] "How Bankers Are Paid Is Now Everyone's Business."

[20] William C. Dudley, "Enhancing Financial Stability by Improving Culture in the Financial Services Industry" (speech, Workshop on Reforming Culture and Behavior in the Financial Services Industry, Federal Reserve Bank of New York, October 20, 2014).

[21] Dahlgren, "The New Era of Supervision: Progress to Date and the Road Ahead."

[22] Thomas Curry, "Unwritten Rules: The Importance of a Strong Risk Culture," *Banking Perspective*, 2014.

[23] Financial Stability Board, "FSB Plenary meets in Frankfurt, Germany," news release, March 26, 2015.

[24] "Senior Managers Regime," EY, accessed February 10, 2015.

[25] Glazer and Rexrode, "As Regulators Focus on Culture, Wall Street Struggles to Define It."

[26] Richard Lambert, "BSRC Proposals."

[27] William D. Cohan, "Can bankers behave?" *The Atlantic*, May 2015.