

Pentti Rissanen • Attorney at Law • Law Office Pentti Rissanen

The Ethics of Finance and Investment

The paper discusses the evolution of some behaviour patterns from ethical norms into legal norms and analyses recent changes in the modes of conduct in Finnish finance and investment enterprises. The banker's obligation of secrecy was legally established in Finland as late as 1969. While usually not problematic, its application may turn out to be ethically questionable in cases where it is put against a bank's own interest as a creditor. Problems related to insider information went largely ignored until the Securities Market Act was passed in 1989 but old behaviour patterns seem to recede rather slowly so that the attainment of the international standards may still require some time. The tight connection between norms of various levels and the economic and social change is illustrated by the legislation preventing money-laundering and the tailoring of the Penal Code to apply to bank directors, in 1994. Abrupt changes took place in behaviour patterns in banking as a result of the crisis of the early 90's and of the introduction of the management by results before that crisis. Earlier traditional concerns for legality, responsibility for the national economy as a whole, and care for the client were replaced by more pragmatic attitudes and exclusively economic value priorities. As a consequence, banks have approached ordinary business firms. The way the crisis was handled (including a number of lawsuits) has decreased the trust felt by the public toward banks. A necessary condition of restoring that trust is to abandon those behaviour patterns which are felt to be reprehensible.