

Ethics and the crisis in the financial sector (RUG)

Opening of the Academic Year  
University of Groningen- Business Administration  
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Honoured, is how I feel today.  
It is very special for me to stand here, in this place, in front of you.

30 years ago, I was walking around here too.  
Entering a lecture hall at the University of Groningen for the first time.

It is not my only link to this city and this fantastic university. Two of my children are studying at the RUG. So even today, I am kept up-to-date about student life in Groningen.

It was with a healthy sense of excitement that I drove up here today.  
And the drive from Utrecht was long enough to feel that excitement growing.  
Back to a place I know so well, but undeniably from times gone by.

It was similar to how I felt in February this year when I made my way to SNS REAAL to renew my acquaintance with a company that I had left 11 years earlier, as I spread my wings.  
A week before that, on January the 24th, I had been asked by the Dutch Minister of Finance if I would be willing to take up the position of chairman of the Executive Board of SNS REAAL, should the occasion arise. In the middle of the night on January 31st, I received a text message saying that SNS REAAL had been nationalised.

The period that followed was characterised by daily turmoil, daily dilemmas that obviously arise after such a profound intervention, and certainly as this was based on an Act that had not been applied before. There was much social commotion and thus severe pressure on the company and its employees. Contrary to what you might expect, what I found was a professional and combative company. A company that was well-prepared to communicate clearly and professionally. Not only to our own employees, but in particular to our customers and civil society as a whole.  
That's how we managed to weather the first period in relative tranquillity.

A new beginning gives new energy too.  
You may recognise that feeling today: we are, after all, opening a new academic year.  
A new beginning for you to an academic year that is, hopefully, instructive, successful and fun.

Ethics and the crisis (of confidence)  
Before SNS REAAL can truly make a new start, however, we must first close the 'nationalisation chapter'. We must take the losses and establish the preconditions for the future.  
Preparation of the financial statements for 2012 took on added importance, with such a fundamental change to the company coming so soon after the end of the financial year.  
We needed the period up to June to properly incorporate in the books all the measures that we implemented.

Meanwhile, the company has been far from idle.  
In connection with the State support we received, we needed to submit a restructuring plan to the European Commission.  
It is a task we took up energetically and over the past few months we have drawn up the plan in close consultation with the Ministry of Finance.



To me, the presentation of the annual results for 2012 at the beginning of June actually felt like the opening of a new book. The book of 2013.

By then, the nationalisation was largely incorporated in the books.

The company's focus can now once again be on the future.

By doing the right thing for our customers, in particular.

But also by coming up with new initiatives. Initiatives that fit in with social needs.

To this end, we introduced Zwitterleven Sparen, a product with which we want to offer an alternative for savers with ING, ABN AMRO and Van Lanschot;

Geoblocking initiatives for online banking;

And we recently announced a phased reduction in our mortgage rates to grow our future market share back to a level that historically matches our company.

In this way we want to contribute to the recovery of the housing market.

A company has to set its own business economics-related goals, of course, but – if you ask me - the moral compass plays at least an equally important role for a financial services provider.

Despite the efforts of the financial sector, confidence in the industry has decreased rather than increased over the past few years. This was the outcome of a report published by KPMG before the summer.

Reading this survey, I wondered in particular how ethics play a role in my sector.

As far as I see it, a moral compass includes everything that has to do with the attitude and behaviour of our employees towards customers and the resources they entrust to us.

High ethical standards should be self-evident in the financial sector.

After all, banks, insurance companies and pension funds have a specific responsibility.

They have a social utility function that includes 'responsibility' as a matter of course.

First of all, of course, the (fiduciary) responsibility towards customers. You are looking after other people's money. Entrusted resources.

Money that people, and customers of insurance companies in particular, will need again later on in 'difficult circumstances' such as illness, injury or death.

Besides this, there is another special responsibility that results from the our social utility function.

A non-functioning financial sector is disastrous for the real economy.

This is particularly true for banks, hence the recognition of systematically important banks and the implicit government guarantee.

In this context, it was important for us to make it crystal-clear that fraud, for example, would not be tolerated at SNS REAAL. We must eliminate any semblance of this, because any occurrence of it dents the confidence placed in us.

Crisis of confidence

Confidence in the financial sector has been badly dented worldwide.

A multitude of steps are needed to restore that confidence.

As the saying goes: confidence is hard won, but easily lost.

Crisis of confidence: Integrity

I have not come here today to nuance or downplay the crisis of confidence in the financial sector. On the contrary, integrity in the sector has too often been too hard to find and we, too, often lacked a genuine sense of responsibility.

Does that make everyone in the industry a bad person? A user? No, it doesn't.

It makes one wonder, however, how certain choices could have been made at the time.

And even today, even with all the new laws and regulations, some things will still go wrong.



I have been working in the financial services industry for 25 years.  
So I must take a critical look at myself too.

I was on the Executive Board of SNS REAAL as CFO when we introduced unit-linked insurance policies to the market. At the time, my main concern was to deliver sufficient return against our costs and our risks.

Back then, no one imagined that 15 years later we would be referring to these products as 'usury policies'. And that, after much hemming and hawing, we would compensate customers for excessive costs.

Crisis of confidence deepens

The crisis of confidence has further deepened because financial institutions required massive financial aid. Initially, the shareholder paid for the crisis in the financial sector through sharply lower stock and bond prices. Ultimately, society paid too. Both as customer, through lowering pensions and pension rights, and as tax payer.

SNS REAAL, too, had to be helped out by the taxpayer.

Who will end up paying for this - in other words, will it eventually cost the taxpayer money - is something only the future will tell. Nevertheless, the taxpayer did not ask for this risk and this potential bill. "This should never have happened or have been allowed to happen". We are sorry it did. I am all the more aware of the responsibility that rests on my shoulders to pay back every cent we received from the State to the Treasury, if at all possible.

How did we get into this?

And by 'we' I am not only referring to the financial sector. On the contrary.

Politicians, regulators, social partners and other institutions as well are faced with similar crises of confidence.

Social ideals, achievements or securities turn out to be different to the image of them that we collectively clung to for years. In many cases they have turned out to be illusions.

Your pension is not 70% of your final salary, adjusted for inflation and preferably even before reaching State pension age.

The quality of health care in the Netherlands is good, but proves to be far from free.

It turns out to be unwise to finance a house purchase with a mortgage many times your annual salary and well above its value.

And the quality of education in the Netherlands is good, but soon it will only be available if you are willing to go significantly into debt for it.

We, in financial institutions, have also nurtured and maintained these expectations.

Can you envision the palm trees, white sandy beaches and Chris Zegers too, when you think of the Zwitserleven feeling?

Didn't we all want to believe in these illusions?

And now that some of the good times have come to an end, we have to pay the price.

The expectations I've mentioned cannot all be met, and not all at the same time and not sustainably. It is simply way too expensive.

Moreover, the Dutch government has a high public debt, households have significant mortgages and banks have a capital problem because of the so-called funding gap, the huge gap between the total customer savings and the total mortgage debt. We Dutch save a lot, but we borrow much more for our mortgages.

Policymakers now face choices.

Choices about solidarity between generations, 'young and old';

between 'rich and poor', and between 'those who work and those who don't'.

For an individual, however, the 'my-expectations-are-not-met' feeling instinctively dominates. Does this make the expectation unreal? Or did advisors sell an 'illusion'?



Where something went wrong is also where something was done wrong.

This human reaction is logical and understandable.

The crisis, whether financial, economic or one of confidence is not down to an individual or a single institution. And I am convinced that a single sector cannot come up with the remedy on its own.

We must recognise and carry that responsibility. This also means that the sector should take on its role in facilitating the outcome of the social debate on reshaping or restructuring social solidarity. The sector cannot do this all by itself.

The leitmotif in all these discussions is that we also transfer risks from the public sector to the private sector, to the citizen. Again, this makes the financial sector's moral compass even more relevant. Not only from the sector's logical fiduciary function and its position in society but also as a co-designer and advisor in the transfer of these risks.

Towards a new beginning

The sector is more and more committed to regaining confidence.

Public outrage over the financial sector, however, has far from subsided.

What is the financial sector to do with respect to ethics, its utility function and responsibility?

The sector must clearly recognise that mistakes were made.

Recognise that financial service providers focused too much on the interests of the product rather than on the interests of the customer.

For a company like SNS REAAL, it is not hard to find a moral compass.

From our origins as the Bondsspaarbank and our trade union past, it is already in our genes.

Simplicity in finance is the basis.

Customers also need to become more assertive.

First comes understanding, then making a conscious choice.

As financial service providers we enter into long-term relationships with our customers.

This is a mutual relationship that requires constant care and maintenance. It should be standard procedure to conduct some sort of testing of financial products once every few years.

Compare it to your energy supplier. You notice a defective product right away: there's a power outage or the lights shut off. With financial products that's more difficult; you may discover only right at the end that things are not as they seemed.

As financial service providers it is our responsibility and duty to help customers. After all, life is not a static thing, so the development of long-term financial products will not always remain the same.

From a deep sense of responsibility we need to rebuild and reshape the sector in a new way.

In this respect, it will not help if salaries and bonuses in the sector are again up for discussion.

Surely by now all parties involved in the sector must have learned that society will no longer accept large bonuses.

A new start for SNS REAAL

Since the first of February, SNS REAAL has had to face a new reality. Our company has become public property. It brings an even stronger realisation that, as a financial services provider, we have to serve the public. It has also accelerated our thinking about our position in Dutch society. SNS REAAL has been aiming for simplicity in finance for the ordinary Dutch citizen for the past 200 years. We want to get back to our roots, back to the origins of utility banking.

The times in which 'bigger was better' are definitely over. The financial crisis has made this more than clear. We will reverse the strategy to pursue diversification and scale, consciously chosen after SNS REAAL's IPO, and instead go for: the human touch, being close to our customers, and the public benefit. Even if, in a mature Dutch market, this is at the expense of our yield. Maybe even precisely



because of this, as it gives the Dutch consumer a choice. It is not about the size of a company, but about the quality the consumer can rely on. Not hindering, but helping should be the motto.

What can you expect from us?

That we will put up stiff competition with our various brands.

No uniformity for us, for no two people are the same. We'll pit ASN against Triodos and ING, Zwitserleven against ABN Amro and wherever Rabobank replaces a local branch by an ATM, we will open a new RegioBank branch. No tennis tournaments, no cycling teams, no professional soccer or sailing regattas for us. Just interest on your bank account instead.

Also, we do not intend to shy away from advising you of third-party mortgage products.

We're not going to tell customers that our toilet duck is the best and only toilet duck.

No, if a product from another provider suits our customer better, we'll tell him so.

However, we'll make our mortgages competitive too.

We want to regain the market share that matches our company in this segment.

Having arisen out of savings banks and trade unions two centuries ago, SNS REAAL wants to recapture its social roots.

To be a financial services provider that makes people aware of money-related matters and insures them against risks at affordable rates.

It's why we are keeping the pressure on bringing our company's working practices up-to-date in the interests of customers, through simplicity in products and services, transparency and sustainability.

We prefer to change by remaining ourselves.

Concrete new start: sector, regulators and politicians working together

But more needs to be done to restore confidence in the sector.

Financial institutions, regulators and politicians should join forces.

We must draw up a joint agenda with a roadmap for restoring confidence.

The Wijffels Committee, with its recommendations 'Towards a stable and efficient banking system' on the future of the Dutch banking sector presented at the end of June, can serve as an excellent basis for this shared agenda.

At SNS REAAL, we prefer to be part of the solution.

A tough mission lies ahead of us over the next few years: namely, a financial sector that offers greater simplicity in finance. Not just at product level, but from an organisational perspective as well. This dovetails completely with the Wijffels Report. Only then will the financial services industry be in a position to meet society's needs.

Dutch society will benefit from a healthy banking system and a varied banking landscape.

If the Wijffels Committee has made one thing clear, it is that banking services have been made too complex in the past.

Moreover, it is important that both consumers and entrepreneurs have sufficient choices.

If it is up to SNS REAAL, banks will get to work on the Committee's recommendation as soon as possible and draw up a social statute. In this, each bank would specify how it plans to meet customers' needs. This will increase the visibility of diversity in the Dutch banking landscape – something advocated by the Committee. These documents should not be an objective in themselves but should form the basis for a dialogue that each bank should ideally want to pursue with its stakeholders.

Having said this, I would like to conclude my speech with an appeal, a moral appeal if you like.

The financial industry must transform. It has now embarked along that road, either of its own volition or by being compelled to do so by national and European regulation.

We are making the long hike towards restoring confidence. And the Robeco bonus story just shows how tough that road is going to be. Confidence is hard won, but easily lost. One single mistake and the whole sector can be thrown back two years in time.

It is easy to beat ourselves up. As a sector we have made enough mistakes in the past.



Politicians must realise that the Netherlands is not an island. There is an international context in which it is important that Dutch banks can support the export function of this country. This playing field is larger and there is more to it than Dutch rules. So independently advancing rules which strongly deviate from international standards is not going to be productive. We must look beyond populism.

My appeal, therefore, is to call for togetherness. As a sector, we can develop initiatives together, towards simplicity in products, focusing on the customer's best interests and financial education. We can comply with any rule imposed on us, but more important is the understanding and awareness that we cannot pull it off alone. Hence my appeal to the government and politicians to – instead of constantly picking up the stick – accept the help, and work on restoring confidence together. The Netherlands depends on having a stable financial sector. It's like electricity, we can no longer do without it in our daily life. So, let's work together on the road back to confidence.

Thank you. I wish you all a successful academic year.

