

The ethics of credit in modern corporate governance

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The Reformed ethics of credit, with its emphasis on moderation, fairness and the common good, has echoes in the modern debates on the governance of financial institutions. After the financial crisis of 2008, which revealed excessive risk-taking, misaligned incentives and a disregard for the interests of clients and the stability of the system, regulators and legislators throughout the world adopted rules on the remuneration of bankers, the governance of banks and the treatment of clients. The Basel Committee and the Financial Stability Board, both based in Basel, issued principles on sound compensation practices that required banks to align remuneration with prudent risk-taking and long-term performance.¹

These principles express, in the language of modern regulation, ideas that Calvin would have recognised: that gain must be moderate, that the pursuit of profit must not endanger the community, and that those who handle other people's money must act with prudence and loyalty. The debate on excessive executive pay in Switzerland, which led to the adoption of the popular initiative against rip-off salaries in 2013, known as the Minder initiative, and to the rules on the remuneration of board members and executives of listed companies in the Code of Obligations, shows that the moral assessment of gain remains a political question.² The citizens of Basel and Zurich who voted for the initiative in 2013 stood, whether they knew it or not, in a tradition that goes back to the reformers' condemnation of excessive gain.

1 Notes

1. Financial Stability Board, Principles for Sound Compensation Practices, April 2009, and Implementation Standards, September 2009; FINMA Circular 2010/1 "Remuneration schemes". To be verified. ↩

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2. Popular initiative "Against rip-off salaries" (Minder-Initiative), adopted on 3 March 2013 (Art. 95 para. 3 Federal Constitution); implemented by the Ordinance against Excessive Compensation (2014) and, since 1 January 2023, by Art. 732 ff. CO. To be verified. ↩

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