



Interfaith Center on
Corporate Responsibility

Inspired by faith, committed to action

475 Riverside Drive, Suite 1842
New York, NY 10115-0050
www.iccr.org

Tel: 212-870-2295
Fax: 212-870-2023
info@iccr.org

To: Members, Associates & Affiliates, Interfaith Center on Corporate
Responsibility
Re: Request for Endorsements: ICCR Statement on Financial Regulation
Date: March 27, 2009

**Members, Associates & Affiliates of the Interfaith Center on Corporate
Responsibility:**

*As the nation experiences the severe consequences of the global recession that
has resulted from the credit crisis, ICCR has crafted a statement on
Financial Regulation to articulate principles essential to a long term
solution.*

In presenting this statement, the Policy Group invites ICCR Members, Associates
and Affiliates to leverage this statement by endorsing it, and using it to study and
reflect on responses to the crisis.

This is a foundational statement of principles on which is built a series of thoughts
about what is needed to bring the system back into balance. It is based broadly on
moral/ethical/justice principles common to our faith traditions.

The intent is for this to serve as the basis for further statements that will translate
the principle or value into a concrete recommendation(s) or action(s).

**Please review these updated Principles. If your organization is able to endorse
them, please contact Gary Brouse (gbrouse@iccr.org) by Friday, April 17,
2009.**

Thank you for joining together as we work for economic and financial justice for
all.

March 27, 2009

ICCR Statement on Financial Regulation

As faith based institutional investors we are keenly aware of the impact of the financial crisis that originated in the credit markets and has now resulted in a global recession. **We are convinced that the establishment of a robust national and globally integrated regulatory framework is integral to any long term solution.**

The investment principles and strategies that we share are informed by the core beliefs of our different faith traditions, the commitments that we have assumed to various communities around the world and our commitment to the broader human and earth community. They especially include our solidarity with communities and people who are frequently left on the margins of societies around the world.

In the midst of an ongoing effort to respond to the crisis we recognize the need for multiple actions. These have included government interventions in the private sector that have been unprecedented in scope and size: efforts at regional and global cooperation to address specific issues and broad stimulus packages intended to prevent further deterioration of economies across the globe.

As we turn our attention to the kinds of reforms needed to both diminish the possibility of future meltdowns and to build a financial and economic system that is robust enough to accommodate our ever changing reality, we want to contribute to the ongoing debate from both the wisdom of our traditions and our collective experience.

We are convinced that:

- Responsible investors understand that a market economy has great potential and great risks. To tap the great potential we must manage those risks.
- Responsible investors can no longer settle for just doing the right thing for themselves and their investments.
- Responsible investors must work to insure that credit markets also serve the needs of the poor and underserved, without subjecting them to a wide range of unfair, deceptive, or fraudulent practices by lenders, servicers and others involved in this segment of the marketplace.
- Responsible owners must make sure that the financial marketplace (the system) is structured so that those taking high risks do not jeopardize the ability of those taking small to moderate risk to succeed.

- Responsible owners need to make sure that a system of checks and balances are in place so that the “too big to fail” rationale has no quarter in the marketplace.
- Responsible investors need to believe that we have a balanced regulatory system, that on the one hand does not stifle innovation and ingenuity, but that also undertakes to “quarantine” significant risk taken to those taking the risks and not the overall market. Trust and confidence in the instruments and information available to all investors will best serve our needs and those of society.

We recognize that government regulation and oversight are essential to guarantee the trust and confidence in various elements of the financial system and in the operating space of private financial services companies. We recognize that the government also has the responsibility to assure that citizens have access to a basket of resources to satisfy basic human needs and promote the common good.

The public sector serves as the guarantor of default for the market system —this fact has been clearly evident in the current crisis. In numerous instances governments have had to intervene to bail out individual companies in the financial services sector and the international financial institutions have been called on to rescue the precarious situation of sovereign governments.

Our financial system has become increasingly integrated at a global level and in fact the financial services sector has been one of the drivers of the globalization process. One serious gap uncovered in the current crisis is the absence of a global regulatory and reporting framework that is capable of providing reliable information and coordination across jurisdictions to address the crisis and serve the needs of people across the world.

Bubbles that are allowed to grow unchecked in one jurisdiction have resulted in profound and devastating effects across the world. A financial system with numerous corporations operating on a global platform can hardly be adequately regulated, monitored or supervised by an unintegrated set of supervisory agencies of various groups of nation states that are primarily answerable to their individual political constituents.

Certain elements are pivotal in a reliable public regulatory system in the area of financial services domestically and globally. These must include an alignment of knowledge, power and effective enforcement so that core issues of transparency, disclosure, capital adequacy, consistency of regulation and community investment are guaranteed.

We value a reliable regulated financial system that:

1. Enhances access to credit, promotes responsible lending with fair and transparent criteria and contains a commitment to local community investments.

In the financial sector we believe that the system should serve the needs of all in a fair and equitable manner. Responsible lending correlated with responsible borrowing that affords access to credit for housing, cars, education and other needs in all communities is therefore a priority. A

stable, transparent, regulated and supervised marketplace is the best instrument for facilitating the flow of credit at reasonable cost to all who need it.

2. Includes reporting and accounting standards that have the capacity to give an accurate picture of risk and includes a measurement of all the costs that are involved in any business transaction.

Accurate disclosure of **all liabilities** (e.g. derivatives/credit default swaps) and a system of globally coordinated accounting standards can help to provide the prudent faith based investor with the information to make investment decisions that are aligned with their principles and support a sustainable future.

3. That protects the rights of shareholders, values the role of stakeholders and is reliable, transparent and monitored. For us a number of issues that cluster around social, environmental and governance concerns flow from the principles that guide our investment decisions and the active exercise of our shareholder positions with corporations: safeguarding human dignity, caring for the earth and promoting sustainable communities. The externalization of social and environmental costs from balance sheets must not be allowed to continue.