



# Faith-based Investors Issue Statement on the Financial Market Failure

September 26th, 2008

NEW YORK CITY, NY For the past three decades, members of the Interfaith Center on Corporate Responsibility (ICCR) have worked with financial institutions to address the needs of the poor to obtain access to capital for: sustainable development, affordable housing in the U.S. and responsible lending in developing countries. ICCR is a coalition of nearly 300 faith-based institutional investors, representing over \$100 billion in invested capital.

Rev. Seamus Finn, OMI, representative of the Missionary Oblates at the Interfaith Center on Corporate Responsibility, today issued a statement on the current financial crisis on behalf of ICCR members:

“Today’s credit crisis in the financial markets of Wall Street highlights a range of issues.

Faith-based investors have historically discussed these issues with key executives of these institutions, bringing them to the attention of shareholders through the annual proxy. Had the eerily prescient advice of faith-based investors been heeded, every evidence suggests that it would have prevented, or at the very least diminished, the impact of this meltdown. The key issues raised in these meetings included:

the need for disclosure of off balance sheet liabilities;

- true assessment of counter party risk;
- greater transparency;
- risk management/monitoring;
- predatory lending;
- sub-prime lending;
- capital adequacy ratios; and
- the use of the precautionary principle in the introduction of new investment tools and innovative practices.

Invariably, in response to the issues raised, executives of financial institutions assured representatives of ICCR that policies, procedures and internal controls already in place were able to meet these challenges and that much

of the requested information was already disclosed in the numerous filings the companies were required to submit to different regulatory agencies. Furthermore, the concern about disclosure and transparency in relationship to new investment tools was usually answered by claims of protecting ‘proprietary information.’

It is now clear that most, if not all, financial institutions, still do not know the magnitude of real and potential losses. Recent interventions by the Federal Government to provide: \$950 billion dollars to aid several financial institutions, and a further \$700 billion that Treasury Secretary Paulson proposes to purchase illiquid mortgage backed debt, only begin to provide a very rough estimate of the impact of these systemic failures in policy, disclosure, and risk management.

For ICCR, any Congressional and government response both now and in the new Congress should be based on the following principles:

- (1) Making sure that the consequences of the response do not impose additional burdens on the marginalized and poorest who are at the periphery of the workings of financial markets;
- (2) Restoring credibility to the financial markets in a transparent manner at the lowest possible cost to the taxpayers without bailing out shareholders or management via a golden parachutes; and
- (3) Addressing the root causes of the meltdown (e.g. unregulated derivatives, restoration of the bankruptcy act re mortgages).

ICCR will continue to engage the remaining corporations in the financial sector around the core issues that flow from their mission to build a more just and sustainable world for people everywhere.”

## **ABOUT ICCR**

The Interfaith Center on Corporate Responsibility is a coalition of nearly 300 faith-based institutional investors, representing over \$100 billion in invested capital. ICCR members bridge the divide between morality and markets by envisioning a civic economy that integrates ethical, environmental and social values. Inspired by faith, committed to action, ICCR members work to build a just and sustainable global community.

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