



## Profile: Jules Muis

### The Flying Dutchman

*Former Ernst & Young partner, vice president and controller of the World Bank, and director-general and chief internal auditor of the European Commission Jules Muis explains his decade-old adage that a financially sound public and private sector are like two wings of an airplane: both are essential to stabilize the international financial architecture.*

## Intro

In 2004, facing a skeptical audience of 1,000 financial experts from the public and private sector in the Netherlands, the Dutch registered accountant Jules Muis ventured an unorthodox prediction from an accountant's perspective. "A major financial crisis is an accident waiting to happen," he claimed. "The accountancy profession has lost touch with the language of finance." Worse, "the haute finance fraternity is no longer in touch with its own language." According to Muis, the emergence of ballooning bubble economies and a disjointed financial architecture, as well as unaccountable regulatory and oversight bodies, all set the scene for a crash. The recent financial crisis has since renewed the need to strengthen the international financial architecture, as Muis proposed some 10 years ago.

### Jules Muis: A brief bio

Jules Muis was senior international partner at Ernst & Young and its predecessor firms for most of his career. He was, inter-alia, quality control director of the firm's European and African operators (1979-1982), managing partner of the firm's Dutch practice (1982-1987), and Executive Partner, Ernst & Young Europe (1992-1994). In 1991, Muis was president of the Dutch Institute of Registered Accountants (NIVRA). In 1995, he joined the World Bank as its vice president and controller, in particular charged with introducing modern controllership, risk management, and internal control to the Bank. From 2001 to 2004, in the wake of a major financial scandal that rocked the EU, Jules served as the first director-general and chief internal auditor of the European Commission, with a mandate to launch a more professional Internal Audit Service at the Commission. It is at these two multi-lateral institutions where he developed a deep interest in the governance and workings of the international financial architecture, and became a strong voice for good governance, substantive transparency, orderly process, and accountability constructs with teeth and predictive ability.

## The signs were clearly visible (for those who wanted to see them)

"In 2004 when I was looking at the macro numbers and the volume and composition of derivative trades, and seeing the fragility of systemic controls, I realized that it was just a matter of time for the plane of international finance to crash. From the outside, things looked very upbeat. Even in 2004, all signs of an impending financial crisis—the same signs that characterized the financial crises of the past four centuries—were already clearly visible to those who wanted to see them. However, all financial actors were too busy enjoying the party, until faced with the reality check that goes with economic fundamentals. The end of the party resulted in the unthinkable: never in economic history have so few (i.e., 'Wall Street') been bailed out by so many (i.e., 'Main Street,' or the taxpayer) to confound and mortgage our whole financial system so much. Allowing the private sector sub-prime Ponzi scheme to spill over onto our national balance sheets created a moral hazard at its worst.

"I will not rehash all the findings of congressional, parliamentary, academic, and other postmortems on the origins of the crisis as we now see it. Many issues have already been uncovered by their enquiries.

Instead, I will give my own take on the nosedive that led to the crash, and the possible remedies for this totally unnecessary, predictable—and predicted!—sorry state of affairs.”

## **Underlying causes for the crash**

*Granted, predicting a crisis is the easy part. One day, one will always be proven right. Predicting a crisis for the right reasons is another story. So, what were the signs you identified at that time?*

“I first vented my deep unease with the fragility of the financial system in 2004 during a forum of 1,000 financial experts in the Netherlands—the Dutch Minister of Finance was the keynote speaker—fully realizing the risk of looking too alarmist in an audience for whom the fruits of financial fortune seemed never-ending. I pointed out the following:

- An overly euphoric (US) housing market boom—too easy for comfort;
- The emergence of overly complex derivatives, for virtually all players, including accountants;
- AIG and Fannie Mae as my favorite suspects;
- Auditors who simply no longer understood the language of finance;
- A disjointed financial architecture, with gaping black holes standing in the way of understanding the financial flows;
- Unaccountable oversight structures, with the same gaping black holes;
- An audit profession too rules-driven and too chicken to use anything else besides clean opinions;
- Ever more convoluted mixed-attribute accounting;<sup>1</sup>
- The failed 2004 attempt to fix off-balance-sheet accounting post-Enron once and for all—due to a powerful financial-industry lobby that lobbied the new regulation into sweet nothingness; and
- An abundance of perverse (bonus) incentives standing in the way of building an effective macro- and micro-controls framework able to avoid financial turbo crises.

Even in 2004, the warning signs were already all over the place!”

## **Everyone was responsible, so no one was responsible**

“In sum, I would first put the blame on the financial industry itself, for reasons now well documented, its oversight authorities, macro and micro, following closely on its heels. But many investors and private borrowers are not without some culpability, too. So, everyone was responsible, both the private and the public sector (see also box: ‘What they did was wrong’).

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<sup>1</sup> As Jules Muis explains: “If you mix mixed attributes with mixed attributes, you end up with too much mix and too few attributes.”

### **What they did was wrong**

In the interview, Jules Muis briefly highlighted some of wrongdoings by the various stakeholders in the world's financial infrastructure. A summary:

- “Many senior executives of banks and other financial institutions, on both sides of the Atlantic, simply lost sight of, and touch with, the intricacies of their own business models.”
- “Investors were part of the problem, too. A lot of the pressures on management have come from short-termism by investors, turning up the heat on management to seek short-term and ever more high-yielding—hence more risky—business models, at the expense of long-term, sustainable performance.”
- “Private borrowers enjoying cheap money, without knowing how to repay other than speculating on never-ending capital gains.”
- “Dozens of banks keeled over, or stayed alive only because of taxpayer support, and auditors did not issue a single qualified audit opinion either for going concern, or in the form of a disclaimer, or a simple explanatory middle-paragraph red flag.”
- “Regulators allowed themselves to be ideologically held captive by the in-vogue deregulation mode, with no effective accountability constructs—not even for systemic risk.”

“Many stakeholders received a financial blow during the crisis, but too many of the privileged are still sitting on much of their ill-gotten gains. And those who could have provided a reality check, our financial gatekeepers, have yet to take responsibility for falling asleep at the switch, being in denial, or looking in the other direction, and have not yet proposed viable remedies for the results of their actions or inaction. This gives a picture-perfect postcard of a disjointed, unaccountable, macro-governance construct: Everybody is responsible, therefore nobody really is ever held to account (see also ‘A dysfunctional gatekeeper is more dangerous than no gatekeeper at all’).”

### **A dysfunctional gatekeeper is more dangerous than no gatekeeper at all**

“Remember that a dysfunctional gatekeeper who is in denial, half blind, or looking in the other direction is more dangerous than no gatekeeper at all. The very presence of (financial) gatekeepers gives us a false sense of security and makes us less alert to potential risks. We have seen it go wrong on a macro level with regulators and oversight bodies, and on a micro level with accountants and credit-rating agencies. If a gatekeeper is structurally dysfunctional, it is time for a fundamental revamp of the business model.”

### **Public and private sector: two wings of a plane**

*You seem to attach great importance to recognizing the interaction and interdependence between the public and private sector. Has the crisis changed your view?*

“On the contrary, the crisis has reinforced my view! Dysfunctional interaction between the private sector and the public sector landed us in this mess, and improved interaction in a revamped international financial architecture should lift us out of it.

“I have always held onto the metaphor of the private and public sector as the two wings of a plane—both wings must be sound for it to fly safely. If only one of the wings is out of keel, it will bring the whole plane down. Suppose you have a very well disciplined private sector. Yet, if the public sector—say, the regulators—does not do its work properly, if there is no discipline, if there is no integrity, if they are cutting corners, or if the public sector has no fiscal discipline or accountability, it will bring down the entire financial infrastructure, pulling the private sector down with it. It also works the other way around: a country’s private sector, rife with corruption, that allows Darwinian financial systems will ultimately infect and threaten the whole financial system. Now in 2010, having witnessed the recent financial crisis, I rest my case. The question of when and where the rot began, in the public sector or the private sector, then becomes purely academic.”

## **Both wings caused the financial system to crash**

*How does this wings-of-a-plane metaphor apply to the recent financial crisis?*

“Some people looked at the financial crisis as if it were just a private-sector issue. With the bailouts, we are a lot wiser. As a result, our financial industry now reflects the perfect, or imperfect if you wish, hand-in-glove situation between the private sector and the public sector. ‘Too big to fail’ is probably the unintended consequence of the two-wings metaphor.

“This interconnectedness between the public and private sectors also dictates that the ‘language of business’ in the two sectors should be a quality match for one another in the field of institutional and corporate governance, as well as in the fields of financial reporting and auditing. Unless the public sector gets its act together in all these fields, it will slow down the financial system’s recovery from the crisis. It is a great irony to see our failed private industry being managed by a public sector that is even less equipped to do so, certainly in terms of state of the art governance. In some instances, the public sector is pulling the same dirty tricks—take off-balance-sheet accounting in Greece for example.

“The global public-private sector dynamics are not that much different, for better and worse. If we look at the fragility of the international financial architecture, it is almost a mirror image of the various national financial architectures. The difference is that, in the absence of a really accountable global government—a missing link not without its repercussions—the international architecture will always be weaker. Sovereign rights and national competitive bias are always undermining if not the design, in any case, the workings of the global architecture. A weak global oversight mechanism inevitably leads to more room for the law of the jungle to play itself out in the global private sector; global regulatory arbitrage becomes a race to the bottom; toxic financial products are easily exported, et cetera. This leaves us the sad prospect of change mainly by default, at the expense of orderly change by design. All of this equally applies to governance, accounting, and auditing. The traditional gold-standard jurisdictions, such as the US, the UK, and the EU, have abysmally failed us on all these fronts.”

## **It takes both wings to get the plane airborne again**

*A plane needs both its wings to get lift. What are your suggestions for the public and private sector to prevent another financial crisis?*

“Here is an overview of the necessary ingredients, over and beyond many of the good ideas presently under discussion for regulatory reform on both sides of the Atlantic and elsewhere around the globe. The first three items on my 2010 in-flight menu are ‘leftovers’ from my 2000 menu. Current reform proposals do not address them, or do not go far enough. So let me take the liberty of repeating them. The other six items (4–9) are new, credit-crisis-inspired dishes. Also note that they are a mixture of public and private sector recommendations.”

### **From the 2000 menu:**

#### **1. Regulators should provide systemic risk assurance statements**

“There will only be a solid international financial infrastructure if the securities regulators, the central banks, and the other financial regulators across the globe are willing to provide results-based assurance statements on the absence of material systemic risks that might impair the orderly functioning of the markets. They should at least attest—if necessary negatively formulated—that they do not see or know about any systemic issues that may impair the orderly functioning of the financial markets. I am not even talking about the fair or the efficient functioning here, just the orderly functioning, because that was what actually caused the chaos.

“The financial regulators should also be held to account if they misrepresent a financial situation or stick their heads in the sand. That would make them think things through much more carefully than the open-ended reporting format that they have at this particular moment. They would have to acknowledge to the world what they see and what they don’t see.

“The issuance of systemic risk assurance statements by regulators would also help the private sector, because you cannot rely solely on the banks and their auditors to identify and assess the systemic risk of the magnitude as we have seen over the last couple of years.”

#### **2. Provide full-fledged fair value overviews**

“One cannot properly risk-manage or make investment decisions on a financial institution without knowing its full fair value status, even if it is just an approximation: ‘better to be approximately right than precisely wrong.’ Therefore, especially financial institutions should provide full-fledged fair value overviews—if not in their primary financial accounts, then at least in the explanatory notes (‘dual reporting’). Had financial organizations presented such financial statements, it would have put their boards of directors—and actually all of us—in a much better position to know the institution’s real risk profile, as compared to the schizophrenic mixed-attribute accounting model<sup>2</sup> with piecemeal application of fair value, which is what we have at this moment (see also ‘Fair value vs. mixed-attribute accounting’).”

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<sup>2</sup> Mixed-attribute accounting means that an organization’s balance sheet contains some items in fair value and other items in historic cost.

### **Fair value vs. mixed-attribute accounting**

“I understand mixed-attribute accounting is for most part a tenacious legacy problem. But I never understood why the IASB went for putting so much of its energies into what I call the sandbox of mixed-attribute accounting without even experimenting with full fair value accounting. The IASB should at least require fair value accounting to be included as a supplement to the traditional mixed-bag accounting with its inevitably dubious bottom lines. Mixed-attribute accounting is like trying to compare apples and oranges. It does not give a bottom line that makes any sense, and it is just as 'game-able,' if not more so, as full fair value accounting. Think of the held-or-not-held-to-maturity discussion on financial assets. Therefore, I propose that companies attach a condensed fair value accounting balance sheet and income statement to their regular financial statement, and explain the difference. The tension between the two then will help raise the appetite for better-tooled fair value accounts.”

### **3. Dog-tag all traded derivatives**

“All traded derivatives should have mandatory dog tags with a barcode expressing and vouching for the risk profile of the instrument in reasonably accessible, standardized risk language. Preferably, this should be supplemented with disclosure of the accounting treatment of the seller, as this will help keep them honest and will limit retrofitting or rationalizing the accounting treatment at one’s convenience (see also ‘Take out the fancy footwork’).

### **Take out the fancy footwork**

“Banks are basically utility companies. We should take out the fancy footwork that we have seen in terms of exotic finance and go back to basics. We can keep derivatives for what in essence they are—for example, a useful hedging instrument. But we have to trim the assortment of those products that no one understands, and are only meant to speculate that there will always be another fool waiting in the wings to take it off your hands for a mystical margin, waiting for a next fool to follow.”

“I have been harping on the need for mandatory dog-tagging of derivatives for at least the last 15 years. Informally, I got a lot of positive interest in the idea, but absolutely no action. It was too much at odds with the prevailing deregulation ideology.”

### **New, credit-crisis-inspired dishes:**

#### **4. Perform a public-sector self-assessment**

“In the public sector, we should perform a self-assessment on the question of whether we are just patching up past weaknesses based on political opportunism, or introducing substantive financial regulatory reform that is ahead of the curve. The difference is simply the residual inherent risk that we need to be aware of before we declare victory that this time we really have it right. The first thing any revamped oversight body should do is to go through a systemic assurance statement as a dry run to explore the limits of its oversight ability and to manage expectations. This will give us an idea of whether

we indeed have a cohesive new architecture, or one similar to the old architecture, with only a new wrapper around it.”

## 5. The audit profession should develop its potential to give early warning

“The audit profession should investigate its own lack of willingness to point out systemic disconnects in the financial system early on. The profession needs to face its fear of, for example, exception reporting, its presence marked by clean audit opinions only—even when the financial world fell apart (see also ‘Stop the clean-opinion conveyer belt’).

### Stop the clean-opinion conveyer belt

“Dozens of huge financial institutions keeled over without the audit profession coming up with anything else besides a clean opinion. What does that mean for the real value of an audit opinion beyond ‘better than nothing’ at best; and putting those it serves on the wrong foot at worst?

“I have advocated for years that we should take away the clean-opinion toy from the audit profession, at least for a limited time. Just wean them off the addiction. It would be a powerful signal that the audit profession understands its signaling responsibilities. Auditors would then be forced to think carefully about the next best option. We probably would see—as we should have seen in the past—a lot more disclaimers of opinion. A well-informed and explained disclaimer, or even a simple middle paragraph in which auditors would indicate they understood the stress points in the financial statements, would be a much better signal to the users that something is amiss.”

“Moving forward, national accountancy organizations should be charged with inventorying, bottom up, systemic disconnects that are difficult to voice for individual audit firms fearful of offending clients, and synthesizing them in an anonymous fashion. A global organization such as IFAC should leverage those national findings, pull them all together, publish the conclusions annually, and fill the global voids. IFAC has a golden opportunity to put substance in the potentially powerful signaling role of the audit profession if the will, self confidence, and professional courage are there.”

## 6. Include a sustainability paragraph and related scorecard

“Organizations, both in the public and the private sectors, should include a sustainability paragraph and related performance scorecard in their business report. They should use that paragraph to explain their operating philosophy and policies with regard to their financial, social, and environmental sustainability efforts; their risk appetite on all relevant fronts; their trade-offs between the shorter and longer term; how they fare against those benchmarks in practice; and what timelines they foresee for bridging any gaps.”

## 7. Restore balance in “checks and balances”

“When I tried to analyze what went wrong in corporate governance leading up to the crisis, the following question stood out: ‘After all the governance reforms over the last decades and lessons drawn from financial crises past, why is it we don’t seem to be able to get it right?’ One of the reasons, I think, is that we grossly underestimated the fact that the term ‘checks and balances’ is a painful misnomer. We have too many checks and too few balances in our international financial infrastructure, as well as

within our organizations. Just look at the corrosive effect of turning the risk and control guidance of the Committee of Sponsoring Organizations or the Sarbanes-Oxley Act into a box ticking procedural marathon that somehow missed the key question of who calls the shots, and to what end. Or turning the CFO into an all-powerful money manager, with the privilege of also controlling the controller (see recommendation 8). We ignore substance over form as a guiding principle. Instead, we prefer to hide behind a maze of rules and processes. It allows us a convenient state of denial as to the true state of our corporate governance, and to ignore the gravitational power of ‘might makes right’ in much we regulate (see also ‘Stop denying and start accepting the supremacy of “might makes right””).

### **Stop denying and start accepting the supremacy of “might makes right”**

“I would also argue for a deeper understanding of the limits of the system of checks and balances. We should shed the illusion that checks and balances will stand on their own, and accept the supremacy of ‘might makes right’ as the governing principle over checks and balances.

“The expression ‘might makes right’ in this context means that the will of the boss is law—and to accommodate that will is often the highest priority for us, more than adhering to good governance principles in spirit and doing ‘the right thing.’ We can always find ways, mostly process-driven, to circumvent the spirit of what we are supposed to do. Therefore, proper checks and balances are no more than a useful add-on to the quality of the one who governs.

“It is a reality of life, and we have to take into account its consequences when developing, implementing, and monitoring governance systems. In addition, we should require all students in governance, accounting, or auditing to read Machiavelli’s book *The Prince*, unless we want to send them blind into the battlefield of the workplace.

“A more positive way of putting ‘might makes right’ would be ‘tone at the top,’ but only for senior managements willing to walk the talk. It is a very powerful force, both for better and for worse. We have seen the consequences of ‘might makes right’ during this financial crisis. The leverage power of ‘tone at the top,’ as long as it is not doubletalk, could help us getting back on our feet.”

“Taking into account the inherent limitations of checks and balances, we still have to restore their own balance, both in the public and the private sector. In particular, I would challenge the following two ‘sacred cows’:

- Strip the CFO of his or her incompatible double role as bean-maker *and* bean-counter at the same time (see recommendation 8); and
- Strengthen the international oversight function by introducing supra-national information access rights and empowering of global oversight and monitoring functions, such as the Financial Stability Board for starters (see recommendation 9).

Both of which I will explain now in more detail below.”

## **8. Split the CFO function into a manager role and a controller/accounting role**

“Over the last 10 years, many CFOs have carved out such a broad function for themselves that, in my view, they are combining responsibilities that are incompatible with the fundamentals of checks and balances. Many CFOs nowadays are not only responsible for the proper functioning of the controls and



for the integrity of the numbers, but they are also major game-makers in their financial management function. They are the ones who make money out of money, particularly in organizations, such as banks, where money management is the core business. You run into a conflict of interest if you combine an obvious management function with the controlling and accounting for it, in particular when the job is strongly bonus-driven. I know I generalize, but there is something not OK with the current CFOs. CFOs had their chance to play a visible signaling role leading up to the crisis, and missed the opportunity.

“Therefore, I would strongly favor splitting the CFO role into an officer in charge of ‘bean-making’ and an officer in charge of ‘bean-counting,’ in particular for organizations that have financial management as a stand-alone profit center, such as banks and insurance companies, but also others. We should restore the good old-fashioned controller, also defined as ‘the sandpaper of the corporation,’ to its old professional dignity: responsible for the integrity of the numbers and substantive robustness of the corporate control systems, and reporting directly to the organization’s chief executive officer or chairman.”

## 9. Establish better global coordination and oversight

“The biggest risk that will come out of the current reforms is that we might make some progress in the area of international regulation (the ‘checks’), but that at the same time we will continue to have a disjointed international financial architecture (the ‘balances’). Who pulls it all together globally?

Moreover, the various financial actors will continue to go for self-interested national solutions first, and seek international architectural solutions that will allow them to continue pointing their fingers at each other when things go wrong. Therefore, we need a supra-national oversight body for systemic risks in the markets, not just with monitoring responsibilities, but backed up by trans-border information access rights, such as a truly empowered, accountable, and well-resourced Financial Stability Board. I know it is very unpopular, but if you go for less, the next crisis will be waiting in the wings.

*“We need a supra-national oversight body ... I know it is very unpopular, but if you go for less, the next crisis will be waiting in the wings.”*

“A so-called ‘coordinated approach’ simply no longer suffices. In an ever more connected financial system, you need real management. We need an empowered supra-national oversight body that calls the shots, that has the authority to cut the crap of regulatory arbitrage and to rein in countries jockeying for a better competitive position by advertising themselves as ‘regulation light,’ and is accountable through results-based systemic assurance statements. (See also ‘If you want to play in the global market, show us your numbers’).

### **If you want to play in the global market, show us your numbers**

“We have to recognize that, in the international financial architecture that we are building now, we still allow the continued existence of a lot of black holes, such as offshore hedge funds, et cetera. The only way we can get the whole picture of all the players in the global economy is if we simply say, ‘If you want to play the global markets, you tell us who you are and you show us your numbers. And we don’t care if you are in the Cayman Islands or in any other distant place; if you want to play cross-border, this is the (financial) information we expect you to bring to the table.’”

“I know surrendering national sovereignty is not very popular. However, if you go for less than a supra-national oversight body, for the status quo, the resulting international financial architecture simply will not be able to deal with the challenges and pressure points of the complex global financial dynamics.

“The reality of having gigantic global-fund flows, but not a global regulator, will be with us for some time to come. Incremental global reform without supra-national oversight is just buying time and raising expectations, waiting for the next accident to happen. I hope I have it wrong.”

### **Public sector should set the example in governance, accounting, and auditing**

*In terms of your plane metaphor, the public sector plays a bit of a hybrid role. We discussed its regulatory and oversight role, but we have recently rediscovered how important good governance, accounting, and auditing also are for public-sector institutions and organizations themselves. Should they set the example?*

“That is right; the public sector should set the example. But compared to private-sector organizations, there are some good and some bad things in public-sector organizations.

“The good news is that the audit function generally works much better than in the private sector. The governmental accountability offices of this world—thanks to their robust independence statute—actually do qualify their opinions on public-sector accounts quite often and articulate them clearly. The bad news is that too few seem to be listening to their warnings: the US Government Accountability Office (GAO), for example, has now issued for the 15th year in a row a disclaimer on the US federal accounts and an adverse opinion on its controls framework. Is there anybody listening?

“The main governance problem in the public sector is that it has a totally underdeveloped concept of the controller (see also recommendation 8 above). Public sector controllers are generally much too low in the pecking order. There are seldom internal assurance statements from the bottom up; internal governance is much too silo-based. Therefore, the governance structure in many public sector organizations is very fragmented and vulnerable to manipulation. In my own country, I would not know who the controller was, and I know that goes for many countries.

“The good news in the area of accounting is that International Public Sector Accounting Standards (IPSASs) are making good headway into becoming the dominant public sector reporting language, but much remains to be done. For example, neither the country I am from (the Netherlands) nor the country where I live (the US) has accepted IPSASs. We should also carefully investigate evasive governmental-accounting acrobatics following the recent bailouts just to avoid bailed-out companies and their debts appearing on national balance sheets. My advice: expose it and learn from it!”

### Key recommendations from Jules Muis

1. The private and public sector should be looked upon as two wings of a plane—both must be sound for it to fly safely. Therefore, both the public and the private sectors need to get their act together to pull the financial system successfully out of this crisis.
2. Get it right at the macro level: securities regulators, central banks, and other financial regulators across the globe should provide results-based assurance statements on the absence of material systemic risks that might impair the orderly functioning of the markets.
3. Financial institutions should provide mandatory integral fair value overviews beyond their mixed-attribute accounts—at least in the explanatory notes (dual reporting).
4. Get it right at the entry level and keep derivatives traders more honest; all traded derivatives should have mandatory dog tags, with a barcode expressing and vouching for the risk profile of the instrument in reasonably accessible, standardized risk language.
5. The public sector should perform a self-assessment to explore the limits of governmental oversight and to manage expectations. This will give us an idea as to whether we have a cohesive new architecture or an architecture that is similar to the old one.
6. The audit profession should investigate shifting the focus of audit reports from *conformation* to *information*, to indicate it understands the stress points in financial statements. National accountancy organizations should be charged with inventorying, bottom up, systemic disconnects and synthesizing them in an anonymous fashion, and a global organization such as IFAC should pull them all together and publish global conclusions.
7. Organizations should include a sustainability paragraph and related scorecard in their business report to explain their operating philosophy and policies with regard to their financial, social, and environmental sustainability efforts; their risk appetite on all relevant fronts; their trade-offs between the shorter and longer term; how they fare against those benchmarks in practice; and what timelines they foresee for bridging any gaps.
8. Restore the *balance* in “checks and balances,” both in the public and the private sectors. There should be more substance over form.
9. Acknowledge “might makes right” as the overriding governance principle.
10. The CFO function, especially in financial organizations, should be split into a managerial role and a controller/accounting role, restoring the controller to its old professional dignity: responsible for the integrity of the numbers and substantive robustness of the corporate control systems.
11. The reality of having gigantic global fund flows necessitates the establishment of a supra-national oversight body for systemic risks in the markets.

***We welcome your feedback on these recommendations. To provide us with your feedback, please complete this brief [survey](#).***