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English

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ROUND-TABLE II: Remuneration for the financial operators and the processed of the long term in the decisions of investments

(Synthesis by Yves REICHENBACH)

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Historically, systems of remuneration linked to the stock market remained a very long time opaque. Besides, some moral and cultural problems are bound incontestably to the mechanism of the finance in general. The bad understanding of this problematic and its consequences on the society by the operators themselves contributed, until a recent past, to the negative perception of the world of the finance by the public in general. The responsibility of the organization of the finance on the working of our societies is incontestable. It must be underlined.

Today, we notes a clear change of mentalities in relation with the pre-eminence of money. This tendency exacerbates the maximum and immediate profit seeking as supreme value of the human and economic success.

The finance gives the impression to be a world, often distant of the realities and the complexity of our society. It is incontestably conventionalist. On this basis, it influences the principles of control of the management of the societies that it is judicious to value.

The increasing disparities between "vastly rich "and" vastly poor ", that didn't quit to increase these last decades, can only increase the need to clearly define its mode of working and its role in the resolution of the long-term challenges put to our society.

The number of the relative problems related to the remuneration for the financial operators, we can mention as an example:

- The conflicts of interests that are bound in general to the lack of independence of the portfolio managers and analysts in relation to the commercial politics and to the ties with the clients of the financial or banking societies that employ them;
- The remuneration of the brokers in number of the transactions that can motivate the multiplication of the transactions;
- The unbalance of information to the profit of the financial or banking societies and the financial operators that can succeed to operations of insiders;
- The bad working of the market in the domain of the mergers and acquisitions: the enormous commissions due to the advisers and setters of operations, can incite them to push the enterprises in policies of development that are not in conformity with their long-term strategic interests and to those of the employees. These operations succeed in general to very difficult integrations of the new acquisitions.

These distortions created by the methods of remuneration don't guarantee a normal and independent working of the stock markets.

The reasons of the erratic working of the markets are also bound to the following elements:

- The lack of predictability that cross our society. This factor of risk and instability is due to the difficulty to fear the impacts of the new technologies, the new life styles and the geo-political complexity in general on the economic activity.
- The non-existence of the normative conditions to the working of the stock markets, in many emergent countries, contributes to shorten the cycle of the crises in these countries and to increase the gravity of it. We can mention as an example, the insufficiency of the regulation and the surveillance of the credit institutions, of the hiatuses in the management of the risk and the serious lack of internal control, of the state-controlled guarantees promoting the "taste" of the risk, the lack of transparency in the situation of the enterprises, the non respect of the environmental norms and the labor law, the inability of the state to set in motion its legislative tool for lack of fiscal resources, etc.
- The emergence of new risks and new crises that has a global impact on our society, affect the public goods. We can mention the impacts of the climatic warming up, of the reduction of the biologic diversity, of the risks of epizooties and epidemics, of the nuclear proliferation, of numerous regional ethnic crises, etc. The world bank, in a non exhaustive inventory of the needs in financing, encodes the lacks to about 300 billions of US \$ against about 16 billions available actually.

Note that the markets cannot function without a set of regulations serving to consolidate the market conditions and the competition in a sustainable way. These defaults create a competitive advantage for the contravening countries, but push them toward social and financial crises. With globalization, the effects of the distortions of the market and the deterioration of the public property have international consequences. The crucial deficit of human and financial means in the domains concerned by the public goods, to face stakes in a global level, generate more and more serious tensions between the public opinion and the global institutions that promote globalization, with no control under its perverse effects. Regardless of the global solutions to bring to these challenges, it is right to underline that they must be adapted to the own situation of every country.

Concluding the problem of the remuneration, the solutions that have been discussed are the following:

- Redefinition of the techniques of remuneration for the main financial agents on the basis of models privileging the risk-control. We can note a real awareness of several big banks to this level.
- Redefinition of the role and the formation of the financial analysts. Creation of strict rules concerning their independence.
- The role of pension funds is essential to promote the long term in the markets. To this title, it would agree of:
 - To privilege the long-term judgment of the fund managers performance;
 - To ask funds of pension to display their long-term objectives clearly;
 - To make participate the salaried employees and the unions to the definition of these objectives.
- To institute a better control of the instruments such options that create a strong incitement of their inventors to the volatility of the markets.