

Ethical Banking and Sustainable Finance IBUS-3600 (4 credits)

Switzerland: Banking, Finance and Social Responsibility

This syllabus is representative of a typical semester. Because courses develop and change over time to take advantage of unique learning opportunities, actual course content varies from semester to semester.

Course Description

The course introduces students to the historical dimension of the concept of ethics and finance, main focal points, terminology, and examples of financial institutions functioning in a socially responsible way. Students also learn about financial intermediation in Islamic banking and finance and compliance with the sharia law.

The course introduces the concept of sustainable finance often described as “ethical” because of its aim to produce a positive social impact, locally, in the region, and globally. The course explores the principles and strategies of Social & Responsible Investment (SRI), Environmental, Social & Governance (ESG), Corporate Social Responsibility (CSR), and Impact Investing and their contributions to a more sustainable future. Ethical banking and sustainable finance are designed to produce a positive impact on the society and articulate responsibility for future generations. Increasingly featured in financial evaluation and businesses, this course looks at the workings of divestment, stranded assets, and the changing regulatory environment in Switzerland and Europe.

Learning Outcomes

Upon completion of the course, students will be able to:

- Understand and validate business models by using screening criteria developed in ethical banking and sustainable finance such as SRI, ESG, and CSR;
- Identify and apply concepts of ethical banking, sustainable finance, and philanthropy in financial projects as a part of socially responsible investing;
- Comprehend and explain impact investing as an integral part of environmental responsibility to counter climate change and contribute to a greener future;
- Identify and evaluate environment-related risks of financial policies and their potential effects on biodiversity loss and climate change; explore the concept of divestment and legal regulations to tackle climate change;
- Explore and discuss the concept of Islamic banking and managing financial assets based on sharia law; assess the activities of Islamic financial institutions by comparing them to conventional banks.

- Apply and exercise a strategic foresight approach and design scenarios for a 21st century resilient future by using tools of ethical banking, sustainable finance, and environmental responsibility in visioning preferable future worlds.

Language of Instruction

This course is taught in English, but students will be exposed to vocabulary related to course content as well as the nuances of economic change and development through in-country expert lectures and field visits in a wide range of venues and regional locales.

Instructional Methods

SIT's teaching and learning philosophy is grounded in the experiential learning theory developed by Kolb (1984; 2015) and informed by various scholars, such as Dewey, Piaget, Lewin, among others. Experiential learning theory recognizes that learning is an active process that is not confined to the formal curriculum; "knowledge is created through the transformation of experience" (Kolb, 2015, p. 49). Learning involves both content and process. Learning is holistic and happens through various life experiences upon which students draw to generate new ways of knowing and being. Learning involves a community and is a lifelong endeavor. Learning is transformational. The suggested four step-cycle of a *concrete experience, reflective observation, abstract conceptualization, and active experimentation* embedded in the experiential learning model is not linear and might not always happen in that specific order, as any learning is highly context dependent. These stages of taking part in a shared experience; reflecting on that experience by describing and interpreting it; challenging their own assumptions and beliefs to generate new knowledge; and ultimately applying new knowledge, awareness, skills, and attitudes in a variety of situations and contexts are important for students to engage in to become empowered lifelong learners.

Required Texts

Blokdyk, Gerardus. (2022) *Ethical banking Complete Self-Assessment Guide*. 5STARCOoks.

Poonamallee, L., Howard, A. D., & Joy, S. (2023). *Managing for Social Justice: Harnessing Management Theory and Practice for Collective Good*. Palgrave Macmillan.

Roncalli, Thierry. (2023). *Handbook of Sustainable Finance*. Paris: Thierry Roncalli.
Retrieved from: <http://www.thierry-roncalli.com/download/HSF.pdf>

Smiles, Simon. (2023). *Sustainable Investing in Practice: ESG Challenges and Opportunities*. Kogan Page.

Miscellaneous Website for economics and management free books.
Retrieved from: www.free-management-ebooks.com.

Assignments and Evaluation

Assignment Descriptions and Grading Criteria

Final Exam (50%)

The Final Exam is a combined multiple-choice test (MCQ) with open questions on ethical banking, sustainable finance, and environmental responsibility. The scope of the final exam is to assess the factual knowledge students acquired during the seminar. This is an in-class closed-book and fact-based written exam. All topics discussed in class can be part of the final exam. Time: Students will have 60 min to complete the Final Exam.

Thematic Essay (40%)

The objective of the in-class thematic essay is to assess the analytical skills and knowledge students obtained during the seminar on core notions and concepts, actors, goals and effects of ethical banking and sustainable finance. This is an in-class closed-book written exam. The thematic essay includes an analytical assessment on an issue related to: Ethical banking, sustainable finance and social responsibility; financial reporting and compliance; data privacy and cybersecurity in finance; Islamic banking and finance; trading in precious metals and ethics. The thematic essay should respond to the following requirements: Thematic introduction to the subject matter of the essay which may consist of thematic questions, historical references, theoretical insights, or any combination of these elements. The narrative is based on an appropriate selection of facts and arguments and articulates well the core issues of the thematic essay. The conclusion represents a concise summary of the major issues discussed in the thematic essay. Time: Students will have 90 min to complete the thematic essay.

Participation (10%)

This includes active involvement in lectures, readings, discussions, and excursions using the following criteria:

- Attendance - promptness to class and positive presence in class.
- Active Listening - paying attention in class and during field excursions, asking appropriate questions, showing interest and enthusiasm (this includes body language), entertaining contradictory perspectives, taking notes.
- Involvement in Class Discussions - either in small or large groups, sharing knowledge. This means challenging yourself to speak up if you usually don't, and also means allowing others to speak if you are a person who tends to dominate class discussions.
- Group Accountability – positive participation in the group during field excursions and classes; not keeping others waiting.
- Displaying Respect – culturally appropriate interaction with hosts, SIT program staff, SIT lecturers and communities.

Assessment

Final Exam	50%
Thematic Essay	40%
Participation	10%

Attendance and Participation

Due to the nature of SIT Study Abroad programs, and the importance of student and instructor contributions in each and every class session, attendance at all classes and for all program

excursions is required. Criteria for evaluation of student performance include attendance and participation in program activities. Students must fully participate in all program components and courses. Students may not voluntarily opt out of required program activities. Valid reasons for absence – such as illness – must be discussed with the academic director or other designated staff person. Absences impact academic performance, may impact grades, and could result in dismissal from the program.

Late Assignments

SIT Study Abroad programs integrate traditional classroom lectures and discussion with field-based experiences, site visits and debriefs. The curriculum is designed to build on itself and progress to the culmination (projects, ISP, case studies, internship, etc.). It is critical that students complete assignments in a timely manner to continue to benefit from the sequences in assignments, reflections, and experiences throughout the program.

Example: Students may request a justified extension for one paper/assignment during the semester. Requests must be made in writing and at least 12 hours before the posted due date and time. If reason for request is accepted, an extension of up to one week may be granted at that time. Any further requests for extensions will not be granted. Students who fail to submit the assignment within the extension period will receive an 'F' for the assignment.

Grading Scale

94-100%	A
90-93%	A-
87-89%	B+
84-86%	B
80-83%	B-
77-79%	C+
74-76%	C
70-73%	C-
67-69%	D+
64-66%	D
below 64	F

Program Expectations

- Show up prepared. Be on time, have your readings completed and points in mind for discussion or clarification. Complying with these elements raises the level of class discussion for everyone.
- Have assignments completed on schedule, printed, and done accordingly to the specified requirements. This will help ensure that your assignments are returned in a timely manner.
- Ask questions in class. Engage the lecturer. These are often very busy professionals who are doing us an honor by coming to speak.
- Comply with academic integrity policies (no plagiarism or cheating, nothing unethical).
- Respect differences of opinion (classmates', lecturers, local constituents engaged with on the visits). You are not expected to agree with everything you hear, but you are expected to listen across difference and consider other perspectives with respect.

- **Storing Your Work:** Keep several copies of your work as back up and keep one copy accessible to you through an online forum, such as an attachment in your email, the course learning management system, or cloud-based storage. This way your work will always be available to despite technical issues. Lost files, deleted drives, or computer crashes are not excuses for late, missing work.
- **Personal Technology Use:** Cell phones and other personal electronics can be used for taking notes and other class activities. Off-task usage is not acceptable. You may be marked as absent for habitually using them for something other than classroom activities.
- **Course Communication:** Course documents and assignments will be posted on the learning management system, Canvas or One Drive. Although the course calendar provides a broad overview and the general sequence of work and assignments for the course, what we accomplish in class will vary, and revisions to the calendar will be posted at the course site. You will need to check the course site regularly. You are responsible for letting me know about any network-related problems that prevent you from accessing or submitting assignments.
- **Content Considerations:** Some texts and activities you will encounter in this course delve into sensitive topics that may be emotionally and intellectually challenging. Our classroom is a space where we can engage with challenging ideas, question assumptions, and navigate difficult topics with respect and maturity. As possible, I will flag content and activities that are especially graphic or intense, so we are prepared to address them soberly and sensitively. If you are struggling to keep up with the work or participate in the course because of the nature of the content and activities, you should speak with me and/or seek help from counseling services.
- **Classroom recording policy:** To ensure the free and open discussion of ideas, students may not record classroom lectures, discussion and/or activities without the advance written permission of the instructor, and any such recording properly approved in advance can be used solely for the student's own private use.

SIT Policies and Resources

Please refer to the [SIT Study Abroad Handbook](#) and the [Policies](#) section of the SIT website for all academic and student affairs policies. Students are accountable for complying with all published policies. Of particular relevance to this course are the policies regarding: academic integrity, Family Educational Rights and Privacy Act (FERPA), research and ethics in field study and internships, late assignments, academic status, academic appeals, diversity and disability, sexual harassment and misconduct, and the student code of conduct.

Please refer to the SIT Study Abroad Handbook and SIT website for information on important resources and services provided through our central administration in Vermont, such as [Library resources and research support](#), [Disability Services](#), [Counseling Services](#), [Title IX information](#), and [Equity, Diversity, and Inclusion](#) resources.

Course Schedule

**Please be aware that topics and excursions may vary to take advantage of any emerging events, to accommodate changes in our lecturers' availability, and to respect any changes that would affect student safety. Students will be notified if this occurs*

Each week this course covers major themes in a classroom seminar setting or through field visits, followed by a discussion session. Guided by SIT faculty, the discussion sessions are facilitated by students. Selected course readings for each module are available on the Canvas or OneDrive, and students should read them in advance and be prepared for each class session. Instructors' notes and slides are regularly uploaded on the Canvas or OneDrive. Beyond what is listed in the syllabus, supplemental articles are also distributed to students based on current events and relevancy, by the conference speakers, during the field visits, or by the program leadership.

Module 1: Ethical Banking and Social Responsibility

This module explores the multifaceted landscape of ethical banking and financial practices. Students discover the historical dimensions, terminology, and examples of financial institutions committed to ethical conduct and SRI. The module examines the critical issues of tax avoidance, money laundering, and ethical financing in the context of Swiss and European regulations. Students engage in critical discussions around the ethics of banking and finance while gaining insights into criminal investigation methodologies in Swiss and European financial institutions, prosecutor's offices, and courts.

Session 1: Banking and Ethics: What is Ethical Banking?

After an overview of the history of ethical banking, this session will provide students with a critical assessment of a sample of contemporary ethical banking practices which includes new bank, green bank, responsible bank, alternative bank, civil bank, and charity bank.

Required Text:

Blokdyk, Gerardus. (2022) *Ethical banking Complete Self-Assessment Guide*. 5STARCOOKS.

Recommended Text:

Weber, O., & Remer, S. (Eds.). (2011). *Social Banks and the Future of Sustainable Finance*. London and New York: Routledge, 15-47.

Thakor, Anjan V. (2021) Ethics, Culture, and Higher Purpose in Banking: Post-Crisis Governance Developments. *International Journal of Central Banking*. Vol. 17 (No. 5). 47-76

Session 2: Money Laundering and Investigation of Criminal Funds

This session focuses on Switzerland as a case study for established rules and regulations to address anti-money laundering. The lecture discusses the legal procedure and cases to trace criminal activities in financial institutions.

Required Text:

FATF. (2023). *International standards on combating money laundering and the financing of terrorism & proliferation*. <https://www.fatf-gafi.org/content/dam/fatf-gafi/Recommendations/FATF%20Recommendations%202012.pdf.coredownload.inline.pdf>

Recommended Text:

FATF. (2021). *Money Laundering from Environmental Crime*. <https://www.fatf-gafi.org/content/dam/fatf-gafi/reports/Money-Laundering-from-Environmental-Crime.pdf>

Session 3: Corporate Social Responsibility

This session focuses on how the private sector integrates international norms and ethical standards through self-regulation into its business model with the aim to increase long-term benefits and shareholder trust and minimize risks by promoting socially responsible action within the corporate sector. CSR strategies encourage the company to make a positive impact on the environment and stakeholders including consumers, employees, investors, and communities. The lecture explores the principles of SRI / ESG issues, impact investing, charity, and philanthropy.

Required Text:

Riano, Julian D. & Yakovleva, Natalia. (2019) Corporate Social Responsibility. Filho, Walter et al. (Eds.) *Responsible Consumption and Production. Encyclopaedia of the UN Sustainable Development Goals Book Series*. Switzerland: Springer Retrieved from: https://www.researchgate.net/publication/340276436_Corporate_Social_Responsibility

Recommended Text:

Tai, Fang-Mei and Chuang, Shu-Hao. (2014). Corporate Social Responsibility (117-130) *iBusiness*, 2014 (6). Retrieved from: http://file.scirp.org/pdf/IB_2014091916083406.pdf

Hopkins, Micheal. (2006). What is corporate social responsibility all about? *Journal of Public Affairs* 6(3-4): (298-306) Retrieved from: https://www.researchgate.net/publication/246912286_What_is_corporate_social_responsibility_all_about

Module 2: Sustainable Finance and Social Responsibility

This module explores the connections between sustainable finance and socially responsible investment (SRI) and practical aspects of integrating environment, social, and governance (ESG) issues into investment strategies. Changes in policy and technology have had material impacts on financial investments, as is the case with carbon risk management. This module empowers students to become a catalyst for a sustainable and resilient world.

Session 1: What is Sustainable Finance?

The session aims to introduce the notion of what is often described as “ethical, sustainable, social, alternative, development, or solidarity” banking and financing. The lecture explores the principles of SRI / ESG, impact investing, charity, and philanthropy.

Required Text:

Marti, E., Fuchs, M., DesJardine, M. R., Slager, R., & Jean-Pascal Gond. (2023). The Impact of Sustainable Investing: A Multidisciplinary Review. *Journal of Management Studies*.
<https://doi.org/10.1111/joms.12957>

Recommended Text:

US SIF Foundation. (2013). *The Impact of Sustainable and Reasonable Investment*. Retrieved from: http://www.ussif.org/files/Publications/USSIF_ImpactofSRI_FINAL.pdf, 15-47.

Module 3: Financial Reporting and Social Responsibility

By focusing on the principles and strategies of the SRI / ESG and Impact Investing, this module explores their applications in day-to-day business practices of financial intermediaries such as integrated and sustainable reporting. Students learn about financial reporting and compliance, methodology of internal audit and fraud investigation.

Session 1: From Financial to Integrated and Sustainable Reporting

The session focuses on information stemming from non-financial domains such as environmental, social, and governance related issues when doing financial reporting.

Required Text:

PwC: It's not just about the financials. The widening variety of factors used in investment decision making. Retrieved from: <https://www.pwc.com/gx/en/services/audit-assurance/assets/the-widening-variety-of-factors-used-in-investment-decision-making-pwc.pdf>

Recommended Texts:

List of Internet resources from the OECD directory: Retrieved from:

<http://www.oecd.org/cleangovbiz/toolkit/moneylaundering.htm>

C. Adams, A. B. Coulson, T. Emmelkamp, G. Kluth, and M. Nugent. (20112). 'Capitals background paper for IR', International Integrated Reporting Council. [Online].

<http://integratedreporting.org/wp-content/uploads/2013/03/IR-Background-Paper-Capitals.pdf>

Integrated Reporting. (2013). The International Framework. Retrieved from:

<http://integratedreporting.org/resource/international-ir-framework/>

Integrated Reporting (2015). Materiality in Integrated Reporting, Guidance for the Preparation of Integrated Reports. Retrieved from:

<http://integratedreporting.org/resource/materiality-in-integrated-reporting/>

SAP. (2016). Integrated Report. Retrieved from: <http://www.sap.com/investors/sap-2016-annual-report-form-20f>

Coca-Cola. (2016). Sustainability Report. Retrieved from: <http://www.coca-colacompany.com/stories/sustainability-reports>

Session 2: Compliance and Internal Audit in Financial Reporting

The session introduces the core principles and mechanisms of financial reporting and compliance through internal audit and reviews case studies across various industries, legislations, and countries.

Required Text:

OECD (2020), Automatic Exchange of Information: Guide on Promoting and Assessing Compliance by Financial Institutions, OECD. Paris. <http://www.oecd.org/tax/forum-on-tax-administration/publications-and-products/automatic-exchange-of-information-guide-on-promoting-and-assessing-compliance-by-financial-institutions.htm>

Recommended Texts:

[KMPG \(2020\). Transforming Compliance in financial services. KMPG International, https://assets.kpmg.com/content/dam/kpmg/xx/pdf/2019/06/transforming-compliance-in-financial-services.pdf](https://assets.kpmg.com/content/dam/kpmg/xx/pdf/2019/06/transforming-compliance-in-financial-services.pdf)

[Team Iris Carbon \(2023\). The Role of Financial Reporting Management in Corporate Governance. Iris Carbon. https://iriscarbon.com/the-role-of-financial-reporting-management-in-corporate-governance/](https://iriscarbon.com/the-role-of-financial-reporting-management-in-corporate-governance/)

Module 4: Data Privacy and Cybersecurity in Finance

This module introduces students to the risks facing financial systems in the digital era. Students delve into the world of data privacy and cybersecurity in finance, and explore the latest threats, regulatory requirements, and best practices. Students will be equipped with the knowledge and skills to identify cyber risks while ensuring the integrity and security of sensitive financial information.

Session 1: Securing the Virtual Safe

This session introduces the current state of cybersecurity by examining threat, vulnerability, and risk management in digital finance. The strengths and vulnerabilities of AI technologies including blockchain and cybercurrencies are presented as well as measures to reinforce security and data privacy.

Required Text:

Nasr, Iota Kausar. OECD. (2022). *Why decentralised finance (defi) matters and the policy implications*. <https://www.oecd.org/daf/fin/financial-markets/Why-Decentralised-Finance-DeFi-Matters-and-the-Policy-Implications.pdf>

Recommended Texts:

Kaur, Gurdip et al. (2023). *Understanding Cybersecurity Management in Decentralized Finance*. Springer

Mirestean, Aline T. et al. (2021). *Powering the Digital Economy: Opportunities and Risks of Artificial Intelligence in Finance*. International Monetary Fund.

Bamberger, Kenneth A. and Mulligan, Deirdre K. (2015). *Privacy on the Ground: Driving Corporate Behavior in the United States and Europe (Information Policy)*. The MIT Press.

Module 5: Islamic Banking and Finance

This module provides a case study of the conceptual framework of Islamic banking, finance, and asset management to challenge Western notions of banking and show how financial and economic systems arise from cultural norms and practices. The module gives an additional insight to deconstruct conventional views on banking and finance from a non-European, and non-Western perspective. Students learn about early day transactions in the era of the Prophet, as well as modern-day experiments in Islamic banking and finance. The focus is on the principles of the prohibition of interest or usury, liability and business risks, ethical and moral standards, and the concept of social responsibility based on sharia law.

Session 1: Principles of Islamic Banking and Investment

This session discusses Islamic law and financial transactions based on sharia and explains what is forbidden in Islamic commercial transactions. The module includes an exercise on calculating loans in Islamic banks.

Required Text:

Hassan, M. K., Kayed, R. N., & Oseni, U. A. (2013). *Introduction to Islamic Banking and Finance: Principles and Practice*. Pearson Education Limited, 40-75.

Recommended Text:

Hussain, M., Shahmoradi, A., & Turk, R. (2015). *An Overview of Islamic Finance*; by Mumtaz Hussain, Asghar Shahmoradi, and Rima Turk; IMF Working Paper No. 15/120; June 1, 2015. <https://www.imf.org/external/pubs/ft/wp/2015/wp15120.pdf>

Session 2: Islamic Asset and Fund Management

This session introduces core concepts of Islamic banking and finance. The students learn about corporate governance in Islamic financial institutions, asset and bonds, fund and risk management, and insurances.

Required Text:

Hassan, M. K., Kayed, R. N., & Oseni, U. A. (2013). *Introduction to Islamic Banking and Finance: Principles and Practice*. (2-39). Pearson Education Limited.

Session 3: Islamic Microfinance

This session examines how Islamic financial intermediaries provide a microcredit to the entrepreneurial poor. It investigates Islamic microfinance products and compares the conventional with Islamic microfinance institutions. The session gives an overview of the main Islamic microfinance institutions operating on the global scale.

Required Text:

Harper, M., & Khan, A. A. (Eds.) (2017). *Islamic microfinance: Sharia compliant and sustainable?* (1–14, 185–201). Practical Action Publishing.

Recommended Text:

Hassan, M. K., Kayed, R. N., & Oseni, U. A. (2013). *Introduction to Islamic Banking and Finance: Principles and Practice.* (326-365). Pearson Education Limited

Session 4: Calculation of Loans in Conventional and Islamic Financial Institutions

In this session students will learn to calculate loans in Islamic financial institutions by using Excel and compare them to calculation of loans in conventional banks. This is a practical session which consists of series of exercises to perform in class by using a laptop or calculator.

Required Text:

Hassan, M. K., Kayed, R.N., Oseni, U.A. (2013). Financial Instruments of Islamic Banking. *Introduction to Islamic Banking and Finance.* (pp. 76-98). Edinburgh: Pearson Education.

Recommended Text:

Brown, R., Zima, P. (2011). Amortization and Sinking Funds. In *Mathematics of Finance.* (124-152). McGraw-Hill Education.

Module 6: Trading in Precious Metals and Ethics

In this module students will learn about ethical and social issues surrounding precious metals from the commerce and trade to their application in industry such as workers' and indigenous populations' rights, and links to corruption, crime, and conflict. As economies move towards increased sustainability, there is an increased usage of precious metals, and particularly in the new industries, such as electronics, space, hydrogen production, or mobility.

Session 1: Gold and Silver Trading and Social Responsibility

This session focuses on ethical issues linked to extraction and trade in gold and silver.

Required Text:

Ron Pau, Lewis Lehrman (2021). The case for Gold, Must have books.

Recommended Text:

Serkan Arslanalp, Barry Eichengreen, and Chima Simpson-Bell (2023). Gold as International Reserves: A Barbarous Relic No More? IMF Working Paper No. 23/14. International Monetary Fund.

Fairtrade International (2023). Fairtrade Standard for Gold and Associated Precious Metals for Artisanal and Small-Scale Mining. Fairtrade International.

https://files.fairtrade.net/standards/2015-04-15_EN_Gold-and-Precious_Metals.pdf

Session 2: Ethical Implications of Industrial Usage of Precious Metals

This session covers the importance of precious metals in industry, as well as the underlying ethical considerations and impact of their extraction on the local communities and the environment.

Required Text:

Abigail Martin & Alastair Iles (2020), The Ethics of Rare Earth Elements Over Time and Space. HYLE – International Journal for Philosophy of Chemistry, Vol. 2 5-30.

<http://www.hyle.org/journal/issues/26-1/martin.pdf>

Recommended Text:

Askar Sheibani, *Rare earth metals: tech manufacturers must think again, and so must users* The Guardian (26 March 2014). <https://www.theguardian.com/sustainable-business/rare-earth-metals-upgrade-recycle-ethical-china>

Module 7: Review and Wrap-up of the Seminar

This session provides an overview of the main issues addressed in this course. The discussion will be framed around key reflection questions that have been approached either through guest speakers' presentations, field visits, or assigned readings.