The Unethical Banking Costs Distrust of Bank Customers (Albania Case as a Model for SEE Countries)

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Abstract: This paper seeks to recognize the influence of the unethical banking to the distrust of bank customers which might escalate to a bank panic. Because of similarities and interbank connections Albanian case might be considered by researchers and supervisory bodies as an example for banks management of SEE countries. Banks in Albania are institutions of a special public importance, and they should be ethical at any time, in every service, in all sort of information revealed to the public, in any decision they make and every time to act responsibly for the best of their customers. Behavior of bank management resulted with ethical issues based on quantitative and qualitative analysis made for this article. All these findings threat the trust of bank customers and create the premises for bank panics. Banks management and regulators have to consider these conclusions for protecting the financial stability.

Key-words: Financial Crises, Banks, Corporate Finance and Governance, Crisis Management, Corporate Culture, Central Banks and Their Policies.

1 Introduction

Ethics in the origin of its creation has been a notion that has served mostly to philosophers, academics and social critics, and then became involved as a concept of economists. In the ancient Greek civilization Aristotle could readily distinguish between the basic trade needed for an economy to function, and the trade for profit which could fall into an unproductive lending (Solomon 1992, 321). Frentrop (2003), chronicled how greed, speculation, deceit and frequent bankruptcy punctuated the fortunes of the earliest of the great trading companies. The founder of modern science of economics has been the famous philosopher Adam Smith, the father of the new theory of economy, based on liberal market concepts. The most important thing quoted today by Adam Smith is "the invisible hand of the market" an invisible force that regulates the apparent "contradiction" between the personal interest of individuals and the common good for society. So, individuals act based on their own interests, but "the invisible hand" at the same time creates the common good. The Albanian banking system might need a new framework for ethical banking where to be integrated CG and CSR. "People in business are ultimately responsible as individuals, but they are responsible as individuals in a corporate setting where their responsibilities are at least in part defined by their roles and duties in the company … businesses in turn are defined by their role(s) and responsibilities in the larger community …" (Solomon 1992, 320).

"We have long been discussing the topic of ethics in the finance sector" Lagarde (2015). Purpose? To revitalize the "objectives" of the financial sector, its purpose and a wider responsibility towards society. After all, the purpose of the financial sector should be not only to maximize the wealth of its shareholders, but to enrich the society by supporting economic activity and creating value and jobs - ultimately improving people's well-being.

2 Methodology

The methodology used for this monograph is based on research and analysis of qualitative techniques over the data collected from banks websites and published reports combined with four[1] questionnaire surveys with 299 customers of all banks in Albania and 99 employees of the banking system all around Albania during the year 2018.The interviewees were randomly chosen and had a

[1] The first survey from January to March 2018; the second survey from April to June 2018; The third survey from July to September 2018; the fourth survey from October to December 2018.

distribution of geography, age, gender and education, for achieving a more objective outcome. Data of each quarter weighted by 25% for the final results. Interviewees asked for their experiences, confidence and perceptions over their banks related to the role of ethical banking in bank customers trust, reflected either by the confidence of consumers in their own banks and in the sector, or the customer focus, transparency and expertise of their own bank.

3 Theoretical Approach

3.1 Banking Ethical Framework is Crucial for Trust in Banks

In general, banks operate their business with a primary purpose - maximizing profit. Ethical banks combine profit with respect for consumer rights, by providing ethical banking for them. Ethical banks are the seeds of a new financial system in which we can invest our savings, knowing that they will bring benefits to investors and society: social, environmental and economic benefits.

Human society consists of people who have goals and common goals. Their actions are carried out through a system of institutions that are set up precisely to achieve some general or basic goals. To achieve these goals, people create relatively stable patterns of activity, which are called institutions, and banks are one of them. The institutionalization of trust between banks and costumers creates the conditions for more competition and better financial services (Ribaj & Ilollari 2019).

Disturbances in financial markets that reduce the amount of financial intermediation that can be undertaken by banks will lead to a reduction in lending to borrowers with profitable investment opportunities, resulting in a contraction of economic activity (Bernanke 1983). Bank panics are clearly one major way for banks to find themselves unable to fully perform their intermediation role.

Moral risk is considered as an important factor contributing to financial crises. Researchers argue that deposit withdrawals are "more systematic" events that are provoked more from the misinterpretation of the temporary liquidity problems that the bank may have. (Kalomiris & Gorton 1991) observing the effects of macroeconomic indicators in panic periods concluded that overall macroeconomic problems are responsible for these events. While (Sundararajan & Balino 1991), add that macroeconomic concerns, sectoral and microeconomic developments and institutional structures are linked to crises.

3.2 Some Rules and Ethical Principles that Banks must Follow

First, banks must comply with all the laws, rules, and regulations that are commonly tailored to each country to ensure the sustainability of operations and to increase the bank's trust. Banks are also subject to the provisions of the Law no. 9662/2006 "On Banks in the Republic of Albania", as amended, as amended, Regulation 48/2015 "On consumer credit and mortgage credit", and Regulation 63/2012 “On the core management principles of banks and branches of foreign banks and the criteria on the approval of their administrators”, etc. Second, banks should provide full disclosure of their products and their financial indicators. Create an environment where employees and clients feel free to communicate professionally. Employees and clients to be provided with easy access to a complaint process and protected for anonymity. Third, banks need to ensure fair and equitable treatment of all actors. The interests of various stakeholders, such as shareholders, customers and employees, do not necessarily match. Bankers ethical behavior is estimated to be at the forefront of ethical banking, which means that an institution offers and facilitates easy access to transparent information for customers and the public. In this way, a financial institution is straightforward and open. Part of banking ethics are initiatives to inform and advise the public and clients on the importance of making their decisions based on those banking services, which do not worsen their financial position and do not deepen in debt. In parallel with this, financial institutions are required to be cautious and accountable by basing their decisions on sound financial analysis, the economic status of customers, business potential and payment capacity, so that customers can benefit from most appropriate banking services, including loans.

There are some ethical issues in banking in Albania, where the most important is the bankers’ ethical behavior from the bank to the client, as well as the inadequate financial education of the client to understand and request additional information. The inability, ambiguity, or lack of desire of the bankers to present and explain to the client all the contractual conditions of a product and service results is at the root of many concerns between clients and banks.

3.3 Banking Ethics should remain at the Core of Customer Relationships

Banking ethics should remain at the core of building a complex bank relationship with its client, where client interest and bank interest should be harmonized. Banking ethics - broadly speaking - is the activity that embraces socially and environmentally conscious practices that are relevant to community involvement, sustainability practices, detailed customer analysis, and the internal and external ethics of the bank. In the huge range of banking services and products with overloaded matrices of pricing and working conditions even for bank employees themselves, it is almost impossible for clients to find the right product that best meets to their need at a minimum cost. So, it must be the duty of the bankers in Albania to provide financial counseling to the best of the clients. If, on the contrary, the employee intends to sell the most expensive product to the client, even though there are other more optimal solutions or sells the product by pointing out only its advantages and no other conditions that may pose a client problem, this behavior has been broken and has provided only a small victory and a short-term profitability. Good relationship with clients is critical to a successful banking career. Actions that may not be in the best interest of the client may seem useful to every banker at present because they meet the targets required by the respective director, but in the long run the best thing you can do for yourself is to offer the best possible service for your client. Business is based on relationships and the relationship between a customer and its banker is critical to success - for both parties. A consumer needs a bank to support its growth, and a bank needs customer to survive and grow. A bank that fails to connect with its customers can lose those clients.

3.4 Trust in Banks is a Consequence of the Bankers' Ethical Behavior

Consumer confidence towards banks is determined by the ethics of banks and the relative cost of ethical behavior of bankers. Banking ethics refers to the principles in which banks believe and engage. In a given situation, the relative cost of ethical behavior is determined by the cost of undertaking an ethical action against an unethical action in transaction costs, and the potential loss that may arise. A direct product of ethical behavior in a society is trust between bankers and their clients. Trust in the banking market is an element that can change the outcome of the transaction and the stability of the bank and the banking market as a whole. Economists have contributed to the cost of economic transactions by analyzing the behavior of human beings, generally self-serving and rational in their behavior, and assigning them opportunistically. Opportunistic behavior was understood as actions with incomplete and distorted information that might intentionally cheat the other party. It is generally believed that the cost of doing business in Japan (where trust between economic agents is at high levels) is lower than in America and Europe where security is required from various institutions for a contract.

3.5 Should a Bank Executive be Legally Responsible for his Unethical Behavior?

In every bank there are bankers with ethical behavior but also bankers with unethical behavior. In the Albanian reality, over the years, it has been evidenced that bankers with ethical behavior have been very reluctant to work in this environment and to be promoted as other colleagues who are oriented according to close instructions of the executives of the banks. According to Akerlof and Shiller, in their book markets *"Animal Spirits; How Human Psychology Drives the Economy, and Why It Matters for Global Capitalism"* can be incredibly relentless in exploiting the weaknesses of human psychology. Finance is no exception. In the 2008 global crisis it was not the fault of the name of the financial institutions that caused the crisis, but it was the work and manipulation done by individuals with power who carried out manipulations by cheating their financial institutions shareholders, their employees and mainly their customers. While they were branding high reputation, the reality was completely different. This manipulation caused consumers to be misled and lost their lives savings forever.

In general, financial market regulation aims to ensure the fair treatment of participants. Many regulations have been adopted in response to misleading practices. One of the main goals of regulation is to provide business intelligence accurate information on investment decision-making. The recent regulations were adopted in response to major bankruptcies, a review of corporate governance, aimed at strengthening the role of auditors in overseeing accounting procedures.

The 2002 Sorbanes-Oxley Act in the US was specifically designed to tighten corporate governance after Enron's bankruptcy. It had direct consequences at the international level, primarily through global companies. The 2010 United States Consumer Protection and Consumer Protection Act

(Dodd-Frank) aims to impose a stricter financial regulation on financial markets and financial intermediaries in the US, in order to ensure consumer protection. This is in line with the development of the financial regulation system in the EU and in other parts of the world. The promotion of ethical behavior by banks is crucial, and this requires in the first place, the engagement of the central bank of Albania, which should continue to improve the legal and regulatory framework for the activity of banks in Albania. Improving the regulatory framework for well-being within the ethical framework should provide incentives for inappropriate behavior of bankers because even individual ethic bankers find it difficult to promote an ethical culture in an aggressive business environment that requires only profit maximization. Given the need in the Albanian reality and the practice of an EU member country such as Iceland where executives were sent to prosecution office, it is necessary to take further steps by the central bank in improving the regulatory framework. Executives of banks should be legally responsible for their unethical actions which created consequences for consumers, shareholders, and the crisis of trust that brings financial instability to the country. One of the objectives of central bank is to promote the making of safe and sound decisions in banking system. The good regulatory framework has the ability to influence the ethical behaviors of bankers.

4 Analysis of interviews and questionnaires about Banking Ethics in Albania

To study behavior and ethics in financial institutions, it is very important to think of individuals as they have direct contact with this behavior and its influence plays a major role in bringing these individuals into behavior that turns boomerang towards banks and the entire financial system. In doing so, we found it reasonable to take the opinions of banks' clients regarding the application of Bankers ethical behavior within the ethical framework.

Interviews and questionnaires were also conducted for the bank employees themselves about how they feel in the institutions they work and how much emphasis is placed on their banking ethics. Below, are the results of this study for the perception of banks customers and banks staff related to banking ethics.

4.1 Results of Interviews and Questionnaires with Bank Customers

Approximately 299 interviews were conducted, accompanied with questionnaires for customers of all banks operating in Albania. The following is the presentation and analysis of key issues identified after processing the data collected. It was noted that about 67% of respondents were clients of more than one bank. And 33% were clients of just one bank. Mostly respondents were clients of more than one bank when they needed to get different products, at different banks. From the data analyses, it is seen that more than 81% of the interviewees have debit cards, 85% have current accounts, 37% carry out money transfer, 41% are currently borrowers in the bank, 22% have credit cards, 19% use online service, 34% have a term deposit, and 11% receive other services from the bank. Influence on a very high percentage of current accounts and debit cards has given the legal obligation that all employees should be paid through a bank account in Albania. This potential segment of payroll customers has always been just a target for banks, with a view of selling to them different types of loans (mortgage, consumer loans, overdrafts,), credit cards, term deposits, e-banking, etc. without thinking for long time relationships. By the other side, bankers do not know what they potential customers want.

As to the reasons why you choose a bank are: 39% for ethical behavior bank employees; 33% for products with better terms and conditions that a bank might have; 16% for location and facilities of bank branches or agencies; 8% for bank's brands and 4% for different reasons. The results of this question are very interesting to understand the consumer behavior of bank customers in Albania, as it is in a small geographic country like Albania, where people have a strong family communication and friendship with each other, they do not tend to believe those advertised as big and strong names, but believe in what they find themselves or are perceived as information from their relatives.

Also, some big names in Albania have not resulted as they were advertised to consumers and this has brought disappointment and the difficulty of recovering their image, even when they have real improvements and not just advertising or publicity.

From 2005 to 2009, some of the banks lent high interest rates loans to Albanians by not informing and disclosing to them the consequences of borrowing but only by telling them about the benefits of getting a loan, not informing them about the terms and conditions of the loan contracts, and by misusing their lack of experience in borrowing because they came from a centralized economic *system where lending to individuals was planned centrally and very few Albanians had the opportunity to take loans. Also, the 1991-1996 borrowing experience in Albania, was a bad lesson, because many loans granted by state-owned banks almost never returned to the banks, creating a misguided perception of the potential lender after 2000.*

The consequences of lending in the unethical conditions created a very high cost for many lenders or guarantors of these loans, making Albania to be at the highest level of NPL (not performing loans) in 2013 and on the top worse performs in our region. However, banks had a strong defense since collaterals / loan guarantees were real estates with coverage approximately around 143% of the loan amount. Many creditors lost their real estates and some of them are still with debts because their assets were sold at low prices. All of them are in the "blacklist" of credit register at central bank of Albania. They lost the possibility to borrow again in banking system in Albania, not only because they are classified for 5 years in row to stay in the "black list" but having in mind that Albania is a small country, no body forgets and might never trust you back again.

Many businesses went bankrupt, many individuals because of blocking bank accounts should still work in black market or (emigrate) leave this country. Some of them have committed suicide or are under severe psychological conditions, and so on. In addition, the figure present aggregated data on Financial Soundness Indicators (FSI) for non-performing loans in the Albanian banking sector from September 2014 to December 2017.

Some legal and regulatory changes have been made to reduce the NPL, which contributed to the faster execution of collateral / guarantees and at the same time the obligation of banks to write off NPL loans that meet certain conditions.

Despite the fact that NPL indicators are going down, the phenomenon of banking ethics has not yet improved. If bank management set the target to sell a banking product, they train their staff to say so much that the customer would buy this product without fully and clearly informing them. This is nowadays known in Albania for the sale of loans and some other financial products. From the data analyses, it is seen that in 42% of cases they were not clients of the banks they liked because they were obliged by the employer or corporates (for small businesses) to choose that bank for getting their salary or payments. In Albania, despite the rules which gives the right to employee to choose her or his bank to get the salary, in fact the employer (or corporate) determines the bank where they should open the bank account and receive the payment. In many cases, they were obliged to keep that banking account even when they were stopping the business relation with the employer (or corporate) and getting payments to another bank, because interviewees already had got banking products such as mortgage loans, consumer loans, overdrafts, credit cards, etc., which will cost money and time to transfer to another bank. This fact is supported also by 21% of respondents, who said that were obliged of their mortgage to be clients of X bank because they got good mortgage (or loans) conditions as they understood on that period of time, but *several years later they had found that they had not been informed about some of the elements that increased their loan cost and the effective interest rate on the loan was much higher* than the bank advertised on the website, television, leaflet, and from bank staff during meetings. *Banks' clients with mortgage loans in Albania were feeling trapped by their bankers because the transfer of their mortgage loan to another bank would be accompanied by a penalty payment before the deadline. In addition, at the other bank, the application of the formula would start from the beginning that banks will receive the total loan interest through a linear regression, while the loan repayment becomes linear. Also, the change of the mortgage bank is accompanied by more legal documents that increase the mortgage consumer's many costs.* Consequently, these customers are required to continue this relationship.

Based on data analyses, concerning Bankers' ethical behavior, it is ascertained that 45% of them estimate that banks have enough or uniform these elements. Concerns indicate that 55% of respondents estimate that banks have very little or no such essential elements in making a banking business, which is basically a trust-based industry. *As for bankers' ethical behavior has been commented on by the interviewees, identifying problems with the ambiguity of advertising in leaflets and pre-contractual information. In the analysis of the interviews it is evidenced that the loan contracts have lack of transparency than the law for consumer protection requires in Albania.* There are unclear terms for consumers, who are non-well financial educated. Analysis of interviews show that banks' staff generally have an acceptable behavior with customers, but they do not take enough time to provide each client with the right treatment. Banks' staff mainly say the standard information is contained in their websites and leaflets and does not give to customers the most

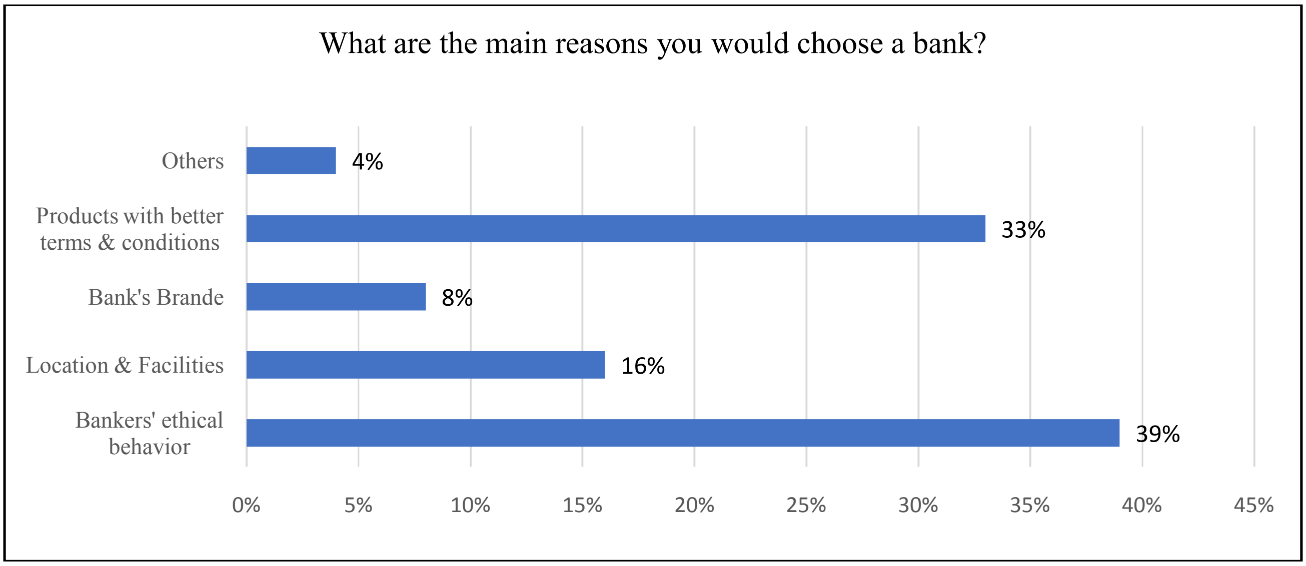

Fig. 1. What are the main reasons you would choose a bank?

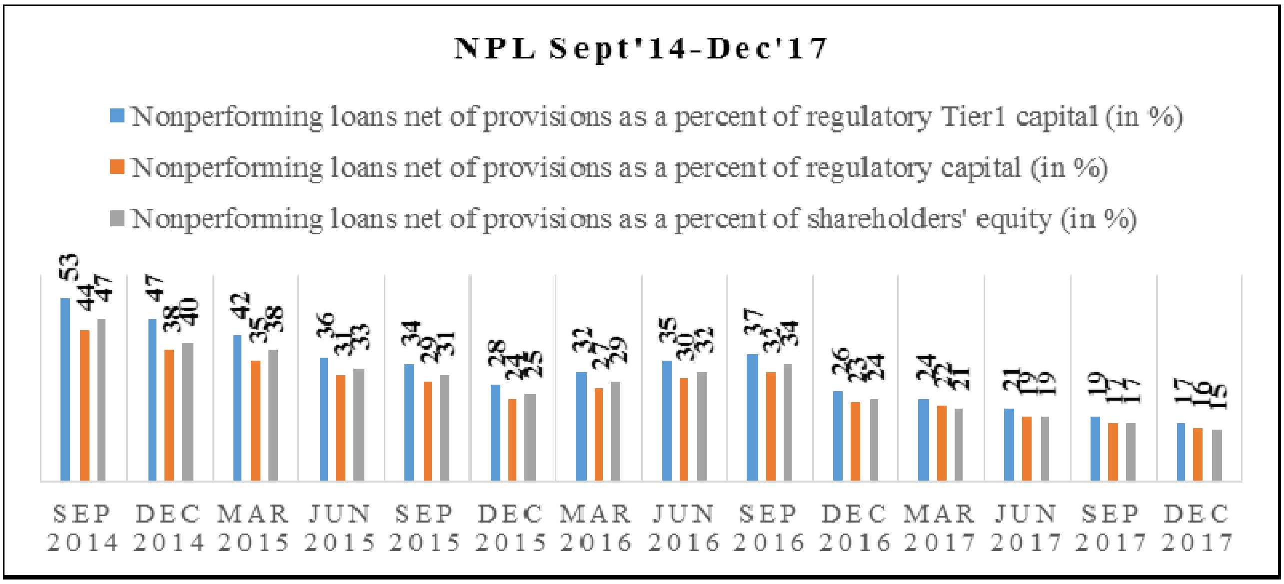

Fig 2. NPL data September 2014-December 2017

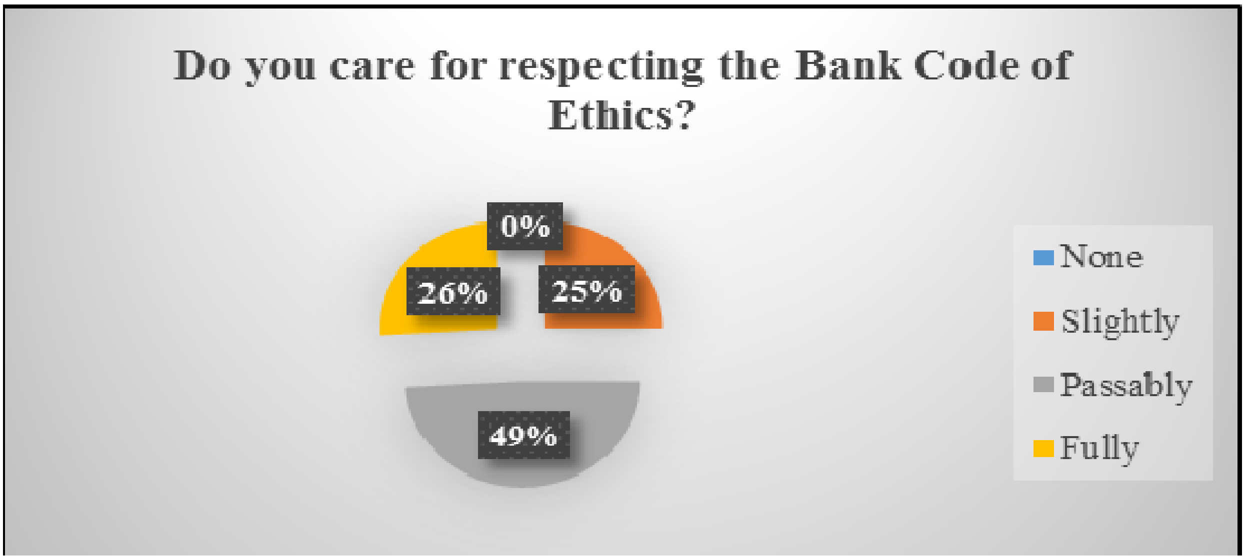

Fig 3. Do you care for respecting the bank code of ethics?

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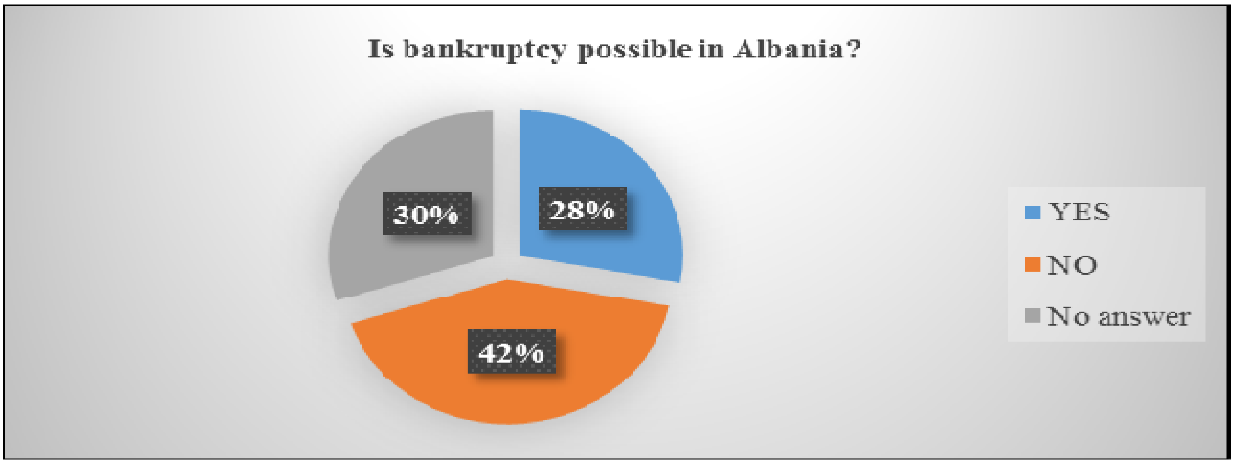

Fig 4. Is bankruptcy possible in Albania?

complete information to understand all the terms and conditions of the products but only inform consumers about the benefits that they can get from the bank product. Briefly, respondents say that banks' employees try to sell their bank products rather than provide professional assistance as expected by bankers.

All the above negative perception of banks' customers for their bank reflected on their answers with negative recommendation for the bank where they were clients. This luck of trust is shown by the data, were only 25% of interviewees stay positively for their bank and the conviction that it is a good bank and they can recommend this bank to their family members or friends. The 33% of those interviewed who refused to give an answer through the interview realized that they were in a dilemma if they could give a recommendation or not, as the bank in some of the factors was convincing, but some did not. While this group also stated that they were not able to assess whether the bank was good to be recommended, as they expressed no wish to be held accountable to their relatives if later it would result that the bank had been lying and being unprincipled.

4.2 Results of Interviews and Questionnaires with Bankers

Approximately 99 interviews were conducted, accompanied by a questionnaire for employees of all banks operating in Albania, geographically spread throughout Albania, with age distribution and gender in order to have a more objective outcome, even though interviewees were selected randomly. Following is the presentation and analysis of key issues identified after processing the data collected.

All respondents were aware that their bank had an ethical code. This is a very positive indicator for banks in Albania, which have adopted the code of ethics as a document in the conduct of banking activity. We have not addressed in this paper the content and the quality of the ethics codes that we think should be part of the treatment from another research work in this field. However, there is a good evidence in the situation of the interviewed bank employees, ascertaining that 82% of them have a knowledge of all the articles in their code of ethics. This enables them to be aware of ethical principles and having regard to the requirements of the Code of Ethics while exercising their activities. Also, there are very good indicators of the situation of the interviewed bank's employees, ascertaining that 98% of them take care of compliance with all legal and regulatory requirements. This is clear even after the control structures in banks and the regulatory authority oversee the implementation of legal and regulatory requirements. Different picture stand for respecting the bank's code of ethics, as shown in the graph below.

The evidences are not so good for the interviewed bank employees, ascertaining that only 26% of them say they fully care about the Code of Ethics of the Bank where they work. *There is a difference of 72% of bankers who took care of compliance with legal and regulatory requirements, but unfortunately not for banking ethics.* The question raised was "Why bank staff do not take care for respecting their code of ethics". The responses received were that the bank did not have a structure or office to monitor the enactment of bank code of ethics, except for cases that could be a problem raised by an important client or key banker, and *there was no demand from the regulatory and supervisory authority in Albania for overseeing cases that conflict with the principles of banking ethics.* These indifference for respecting banking ethics is evidenced by lack of banking ethics assessment systems in the corporate governance of banks in Albania. The situation based on data is that only 22% of the interviewed bank employees express that the bank has a banking ethics assessment system. Through this it is understood that the system of valuation and motivation or punishment in the Albanian banking system for banking ethics is at very low levels. For the grouping of respondents who claim that the bank has a banking ethics assessment system, it was asked how much this evaluation committee has motivated or punished workers respecting banking ethics. The answer was that only in 27% of the cases it was reflected, mainly in punishing employees who have exposed the breakdown of banking ethics. While the rest of them argued that there are some motivations or light sentences, mainly verbal, neither job upgrade nor job downgrade. There is another excuse by bankers who argue that their bank only in 20% of the cases give ongoing training on banking ethics, the rest do not know the benefits of respecting the banking ethics principals. In the group of those who received trainings, they were asked about the type of training they received, and it is evidenced that 80% of them are on the job training not by specialized trainers or key bankers of the bank. While only the rest received trainings through workshops or seminars by specialized trainers.

The last crucial questions were related to their trust in their bank management and freedom to talk even knowing their answers were going to be treated confidently. The results were very worrying, finding out that only 42% of the interviewed bank employees say that in the banking system in Albania there are no possibilities of bankruptcy.

Their perception was based on uncertainty they see in the public confidence, some EU Banks are moving from Albania, at the pace of economic progress, etc. Meanwhile, another alarming indicator is that 30% of them did not give an answer, letting us know they do not have information about the correct measurement of banks legal requirements, or they do not understand the picture, or they did not want to talk. Related to these confusing opinions of interviewees, we bring another indicator for their perception related to the ethical behavior of their bank management. They presented a relatively high indicator for which 90% of the interviewed bank employees say that their bank management has an ethical behavior. But, after asking questions for illustrating their behavior with real cases and examples, we note that they had no cases or examples, and this is an indication how free they were to assess their managers they work for. For understanding the trust of 42% of interviewees, they were asked what happens to their depositors if their bank will bankrupt, and their responses were: 76% of them thought that compensation would be up to 2.5 million ALL for each depositor; 4% of them thought that there would be full compensation for the entire depository amount by each depositor; while 20% of them did not respond to a figure, but they accelerated also the liquidity of bank assets and the deposit compensation might be more than 2.5 million ALL for each depositor. As per their answers, if there might be one bank in panic, the domino phenomenon comes true in Albania, all banks are in risk of bankruptcy.

At the end, the level of trust differs from country to country, from city to city, thus changing the cost of doing business. In a society lacking trust, the cost of doing business is high. In Albania, the interest rates on foreign currency loans (dollars) are much higher than in other countries. While in developed countries it is from 1% to 4%, in Albania, the interests range from 7% -10%. This is an indirect measure of the lack of trust from banks for borrowers in Albania.

There is no confidence that the contract will be respected, lacking the confidence that institutions will perform their work efficiently, lacking confidence that the judicial system will resolve commercial disputes in a timely and impartial manner, and so on. So, leaving aside all the economic explanations for these high interests, their foundation lies in the lack of trust. And banks operate based on an environment where the risk due to lack of trust is huge. The same situation is on the other side where customers after these high interest rates on loans began to lower the demand for borrowing. Mainly, after understanding what the Effective Annual Interest Rate (EAIR) means and seeing how much they paid for their loans. In reality today, banks prioritize profit maximization in front of consumers and their simple employees, for this reason the values and behaviors of each banker with ethical behavior must be protected and stimulated by central bank based on amendments in regulatory framework. Also, besides the motivation system, there might be a punishment system for bankers with unethical behavior stimulating the creation of an ethical culture within each bank. In this way each bank can adapt its objectives and strategies to the purpose for which it is established and operates in Albania.

According to Lagarde (2015), two are the main issues; *First,* the role of individual accountability in changing the culture and behavior in the financial services' industry, bringing a cultural reconstruction; *Second,* the role of the all actors as regulators, industry leaders and professionals, who influence this rehabilitation.

Lack of trust in a society can lead to social disorder as it happened in Albania with pyramid schemes in 1997. From the economic point of view, this means that if any part of a business transaction is subject of corruption or fraudulent actions, economic effectiveness will be greatly affected. That is why the trust that is the result of ethical behavior is necessary for banks because they have long-term objectives in their activity. Banking ethics means the most convenient environment to make a sustainable and long-term business. The consequences of the loss of confidence in 1997 were also reflected in the spring of 2002, in Albania.

Theoretically, ethical bankers are aware of the theoretical and historical lessons that trust crisis in banks may soon move into a banking panic. In a panic situation, consumers behavior become less predictable and more difficult decisions must be taken by bankers. In our reality, bankers do not take care if they are losing their customers' trust, but just keeping their accounts and selling some products to them. In fact, losing some customers is not a big deal for the P&L sheet of a bank but losing their trust has a lot of high costs to get it back and might consequences the chain or domino effect to a bank panic.

5 Conclusions and Implications

Behavior of banks management outcome with ethical issues during the quantitative and qualitative analysis made for this article. All these findings threaten the trust of bank customers and create the premises for bank panics. The legal and regulatory framework for banks in Albania needs to respond to banking developments and approach fully the EU Directives, BASEL and OECD Principles to ensure that no consumer trust might be compromised through the establishment of banking ethics.

The Bank of Albania should improve the regulatory framework by amending the Regulation 59/2008 “On the transparency for banking and financial products and services”, as amended, Regulation 48/2015 “On consumer credit and mortgage credit", and Regulation 63/2012 “On the core management principles of banks and branches of foreign banks and the criteria on the approval of their administrators”, to impose on banks the obligation to respect transparency, disclosure, ethics and corporate governance principles, and enforce the penalties and administrative fines to banks’ executives for these requirements.

The Bank of Albania should improve the regulatory framework by asking all banks to have an accurate functioning of the Bank's ethics assessment committee reporting directly to the Board of Directors or Audit Committee which have to promote 'zero tolerance' against unethical behavior, by setting the “ton on the top”. Also, the ethics committee should have the power to propose penalties and incentives for all bank employees, starting from the bank executives up to the low level of the bank’s organizational structure. To be considered, applying “The Ethics Oath” of bankers of Netherland which is making banks executives responsible for an oath and a series of integrity pledges that put customers' interests in the first place. If these promises break, these bankers are exposed to fines, suspensions, or blacklists. “It's hard to raise people's awareness of morals, but it's easy to do this with examples” (Seneca 1992).

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