

What is financial journalism for?

Ethics and responsibility in a time of crisis and

change

Report by
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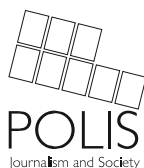
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Preface

A Crisis for Financial Journalism?

The current crisis in global banking, markets and economies has reminded us all of the importance of financial and business journalism. It has also raised a set of profound questions as to the quality of that form of reporting. Why didn't we know this was coming? Did the journalists fail to put the financial system under proper scrutiny? Are they equipped to deal with the continuing complex story? Is this representative of a wider problem with the news media? This pamphlet seeks to address some of those questions.

Research for this report began before the Northern Rock scandal. It is not a knee-jerk response. It attempts to set out a framework for a critical analysis of financial journalism. Therefore, we believe it is a useful tool for addressing the present debate about the coverage of the developing crisis. We invite you to contribute to the events and research that we have planned to follow up on this initial outline of the debate. It is an academic project but it is ultimately targeted at journalists, financiers, policy-makers and the public.

It is far too early to draw any firm conclusions about the way that the last year of economic and financial turmoil has been communicated to the public. It is vital, however, to begin addressing the questions raised. It is also essential to do so with a set of analytical frameworks that allows for balanced, considered and objective insights. This is what this initial paper by Dr Tambini seeks to do.

The current global financial and economic crisis is not the fault of journalism. For once, we can't blame the news media for creating this mess or for the cost of clearing it up. However, it does make us ask about the ability of journalism to report upon financial affairs in a way that lets the public know what is really going on. In that sense, the limits of financial journalism may have contributed to the present disaster.

Even before the current crisis, financial journalism was subject to unprecedented circumstances. Economic and business stories now move at a digitally driven speed that does not allow as much time for comprehension, let alone reflection. Much of the movement of financial data is automatic and unmediated by journalism. The Big Bang of the 1980s in the City coincided with the beginnings of cable and satellite TV and digitalised news gathering creating a 24/7 live reporting environment.

The financial facts and systems are themselves much more complex. This is partly a function of new financial structures such as Hedge Funds and Derivatives but also because of the increasingly interconnected and globalised nature of markets.

There are also the pressures of commercial interest. Public relations is spreading throughout all news but it is particularly powerful and prevalent in financial business.

Then there are the ethical challenges for journalists who have access to information and an ability to either influence markets or gain personally.

Financial journalism has not been immune from the pressure on resources. The key resource is time. Time to get context, diverse views, and context and background facts. New technologies have made journalism more efficient but the business model for mainstream media is under strain. So the temptation for hard-pressed editorial management has been to spread those resources more thinly and prioritise productivity over quality.

Then there is the competition and complexity added by New Media financial journalism. The websites, blogs and forums offer extraordinary variety and, perhaps, greater openness. They

provide information sources that simply did not exist before. But they also change the terms of journalistic trade.

Polis believes that a more networked journalism which opens up mainstream news to greater public participation is fundamentally an inevitable and desirable trend. However, in the context of financial journalism it raises particular problems of trust, influence and accountability.

The larger issue is whether journalists are now sufficiently capable of independent thought and critical judgment. The present crisis is a painful test.

All journalism is subject to groupthink. It could be argued that the financial markets themselves are prey to this. Indeed, that there are incentives for financiers that positively promote a herd mentality. The accusation against financial journalism is that it simply follows those crowds.

There were individual journalists who warned the world about aspects of the current crisis. Although, I cannot name a single economist or journalist who actually predicted what has happened in its totality. So the question is whether the failure to listen to critical voices and explore their critiques was a failing of journalism? Perhaps it is simply an expression of the limits of the news media. How can you expect journalists to be so brave, independent, fearless and intelligent when most of the people running our banks and treasuries appear to have ignored the warnings as well?

Polis believes that it is pointless to play a blame game. However, we do think that there is a valid case to be made that, as societies, we have neglected the value of critical financial journalism. We believe that the time is right for a new compact between financial journalism and society. It is time for a much more serious analysis of the effects of new market systems, of new media and the state of financial journalism.

This report was first conceived two years ago. It is an attempt to frame the underlying issues for financial journalism and to scope out a major research project. Now it has been thrust to the forefront of a debate about financial as well as journalistic responsibilities.

We hope that it forms a good first step in that debate and we call on financial and media institutions, governments and civil society organisations to take the arguments forward. The world desperately needs good financial journalism. We need to understand the practical, ethical and editorial problems that can prevent it. Polis believes that the current crisis combined with other radical changes in the news media, present us with an historic opportunity to address this need.

Charlie Beckett
Director, Polis
November 2008 www.polismedia.org
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Summary

This paper introduces a model of the rights and duties of financial and business journalists. It shows how journalistic privileges have been granted in recognition of the social function of ethical, responsible journalism, and examines the impact of current market and technological changes on the nature of those ethics and responsibilities.

The rights of financial journalists include access, financial resources and also a legal and ethical framework of protection of sources, certain immunities and public interest defenses in relation to defamation and invasion of privacy. Duties of financial journalists, and definitions of ethical journalism are more disputed. Interviews with journalists reveal that they define responsible journalism in a variety of ways: some see their responsibility in terms of providing information

for investors, and others refer to a wider 'public interest' remit encompassing the holding of corporations to account. Because newspapers and broadcasters tend to rely on a few specialist financial journalists, these self-definitions of role are crucial: If journalists see themselves mainly or merely as serving the market or investors, they may be less effective in their watchdog role.

Codes of conduct for financial journalists tend to focus on the micro aspect of conflicts of interest relating to single companies, and neglect broader issues such as the role of business reporting in relation to market sentiment in general. Research is inconclusive on the precise relationship between news and markets, and it is unlikely that any clarity will be achieved on this issue in the near future. It is clear however that financial news reporting could reinforce dysfunctional patterns of market behavior such as herding and momentum.

Financial journalism faces a number of challenges currently; including pressure of speed due to 24hour news cycle; increasing complexity; PR strategies; sustainability; and the challenges of globalisation. Journalists have begun to respond, but the profession lacks a clear sense of purpose.

In this context financial journalists and other stakeholders should urgently seek to reassess their roles and responsibilities and seek a new regulatory settlement. Those that seek a more responsible financial journalism should open a dialogue about how best to support that, through promoting access to key financial information for journalists, clarifying source protection standards and defamation risk. Given the business constraints financial journalists face, they will not be able to develop a new role in the global corporate governance structure without a re-assessment of the privileges society affords them.

Introduction

When the European Commission proposed to regulate the work of financial journalists in 2002, editors and journalists were outraged and ran a campaign against the Market Abuse Directive.² Their argument – a familiar one from journalists faced with new laws - was that the new regulation was an attack on freedom of the press. After a battle, a compromise was reached. Newspapers and other media would not be subject to the full regulatory regime if they were subject to some kind of ethical code of conduct. The EC issued face-saving press releases and defenders of free expression celebrated a victory. (At least until the Commission began to review the directive in 2008 amid renewed debate on the role and responsibilities of financial journalists).

Journalists' representatives had argued that despite the potential for journalists to abuse their position of power and manipulate markets, they act ethically and responsibly, and that they do so because they work within a set of self imposed incentives and rules that apply to financial journalism as a whole. They claimed that financial journalists fulfil an important watchdog function in relationship to corporations and that new regulation would impede their playing such a role. And they also argued that cases of market abuse by journalists were extremely rare because the journalistic profession regulates itself, in part because consumers themselves will demand trustworthy financial news.³

Journalists enjoy a range of privileges (protection of sources, the Reynolds privilege in defamation cases,⁴ public interest defences for breaches of privacy or confidence) and it is a premise of this study that the rights and privileges that journalists enjoy are granted on the basis of a particular view of the function and responsibilities of journalists. This is true of all journalism, but this pamphlet focuses in detail on financial and business journalism as a branch of the profession which faces unique ethical dilemmas.

This pamphlet examines what happens to the complex ethical framework of informal and formal laws, codes and professional practices, as the profession of financial journalism faces rapid and fundamental change.

New online financial news services and the rise of blogs pose new questions: How will the professional and ethical framework be applied when it is less clear who belongs to the profession? And as the full extent of the 2008 banking crisis unfolds this study explores some of the implications for the future of financial journalism. Whilst the root causes of the crisis appear to lie in the behaviour and regulation of banks and other investors, many have asked what role financial reporting may have played in the crisis, and whether the crisis would have been so sudden and deep if a different approach to the practice of financial journalism had been taken.

Financial and business journalism has come under increasing scrutiny since the 'City Slickers' case in the UK.⁵ On the one hand, some have asked to what extent the questionable practices that came to light in that case are more widespread and how

to guard against market abuse on the new frontier of the Internet. On the other hand, the role of the financial and business press has been the focus of renewed debate as we enter a period of economic and financial instability: What responsibility do journalists have when their stories can have direct impacts on market behaviour, as was the case with the collapse of the Northern Rock bank? Should the ethical and professional standards of business and financial journalists differ from those of others such as political journalists? Should journalists avoid 'panicking the markets' or would this constitute unacceptable self-censorship in financial news? What are the implications of economic globalisation for the ethics and practice of financial journalism, where professional practices and self-regulation differ in various countries? How can journalists deal with conflicting responsibilities in relation to their various overlapping constituencies – to readers, investors, to corporations, to governments and to national economies?

2 EU Market Abuse Directive (Directive 2003/6/EC)

3 See 'Financial Journalism 'in danger of being choked by regulatory creep'. The Independent. 13th November 2002.

4 In *Reynolds v Times Newspapers Ltd* [1998] 3 WLR 862, the Court accepted that disseminating information that turned out to be false, but concerned public functions of public figures might be protected if journalists were conducting journalism in a responsible way: "The Question of whether there had been responsible journalism or the exercise of due professional skill and care were matters to be addressed when answering that primary question."

5 In May 2000 the Press Complaints Commission ruled that two Daily Mirror Journalists responsible for the 'City Slickers' column were guilty of breaching the PCC code of practice by deliberately ramping shares in the column, and profiting from the resulting share price fluctuation between 1998 and 2000. A subsequent criminal prosecution in 2005 found them guilty of market abuse. <http://www.pcc.org.uk/>

This pamphlet examines financial journalism as a profession. It is based on interviews with financial journalists, their editors and their lawyers, and focuses primarily on the UK, with some US material included for comparison.⁶ Researchers on the team have also interviewed some of the key people these journalists interact with as sources of information and subjects of stories, such as senior management at the Financial Services Authority (FSA) in the UK, financial public relations (PR) agencies, and key stakeholders. The views expressed here in some ways reflect and in some ways depart from the wide range of opinions that were expressed by journalists and those they source their stories from. The aim in this pamphlet is to provide a provocative stimulus to debate. In addition to the interviews, the ethical codes and legal framework to which journalists should adhere have been analysed. The pamphlet by no means claims to offer a settled consensus view on the questions raised. But as financial journalism faces up to the challenges of the times it is hoped it can at least offer a framework to aid navigation.

⁸ See for a discussion: Siobhain Butterworth: Open Door: September 1 2008. www.guardian.co.uk/commentisfree/2008/sep/01/pressandpublishing

This paper proposes that journalism and financial journalism, in particular, are based on a 'social compact' of rights and responsibilities. Rights and privileges have been afforded to journalists in return for commitments to responsible journalism. Belonging to the profession provides journalists with certain immunities and privileges, some of which are reflected in law and policy. Hence 'journalist privilege.' Some journalistic privileges (such as protection of sources) are generic to the profession of journalism as a whole⁷ (though with a specific set of rules imposed by financial regulators), and others (such as the Press Complaints Commission (PCC) regime on market abuse in the UK) apply specifically to business journalists. The obvious corollary is that these privileges are granted in recognition of the social benefits provided by journalism and in order to foster those social benefits. This paper focuses on that process of re-examining those rights and responsibilities at a time of rapid change.

It is of course true that the rights and duties of all journalists are being renegotiated at this time. In the U.S. the debate has focused on whether bloggers should be protected by a federal shield law to protect journalistic sources.⁸ But protection of sources is only part of the debate and a broader, socio-legal notion of privileges and duties as institutions is needed to understand the full picture. In the era of mass media a range of other forms of journalistic privilege has evolved: privileges of access, regulation and resources. Financial journalism provides a case study to understand in more depth and detail how debates about responsibilities are understood by journalists themselves, and by those who work with them.

The Privilege of Being a Financial Journalist

Financial journalists are not anointed into a protected guild or caste. Nor are they given the freedom of The City. But there are advantages to being a part of the profession that have been hard won. The idea of a single historical moment in which a compact of rights and responsibilities was struck is of course a fiction – this is the conceit of contract theory. There is no 'constitutional moment' but a gradual laying down of laws, practices and precedents which, together, result in a loose professional framework. The features of responsible, socially beneficial journalism – financial and mainstream - will continue to be disputed, just as privileges will be contested. But in the development of the legal and self-regulatory framework for business journalism, as for all journalism, many smaller decisions have been taken which institutionalise a set of rules of responsible conduct. These rules apply to the profession as a whole in ways that go far beyond the market relationship with consumers of media, or the 'brand attributes' of individual companies, and they do so because journalists, editors and regulators have recognised the social benefits of responsible journalism. These are rules relating to protection of sources, conflicts of interest and definitions of responsible, ethical journalism, within the broader framework of freedom of the press. Journalists enjoy a range of informal professional privileges, such as access and financial reward, and also a range of formal/ legal privileges.

⁶ Methodological note. See the appendix for a list of those interviewed. Whilst most interviewees were happy to be quoted directly, some interviewees wanted their comments to be anonymous. For consistency, and to avoid quote approval which was requested in some cases, quotes are anonymised throughout. Interviews were recorded and transcribed in all cases except 3, when respondents requested not to be recorded. Interviews took place between November 2007 and July 2008 in London and New York.

⁷ See, for example: Citizen Journalism and the Reporters Privilege. Papandrea, Mary Rose. Boston College Law School Faculty Papers # 167 (2006).

Key Dilemmas: Protection of Sources and Business and Financial Journalism

The U.S. Securities and Exchange Commission (SEC) argues that they rely on investigative journalism to uncover stories, as does the FSA in the UK, but there is ongoing confusion about roles. Following a 2006 dispute with the Wall St Journal over a case relating to Overstock.com, the U.S. regulator formalized its approach to working with journalists. (Policy Document SEC 34-53638). This sets out a set of rules and procedures that the SEC should follow before they subpoena a journalist to force her to reveal her sources.

SEC officials should: try to obtain information first from alternative sources, determine if the information really is essential to the case, and should contact the journalist's legal counsel in the first instance rather than the journalist directly, in order to ascertain how important the information is, and the extent to which other sources have been exhausted.

In announcing this new doctrine the SEC director was quick to point out that the SEC strongly supported freedom of the press. Cox argued that his agency "relies on aggressive investigative journalism to uncover wrongdoing in companies. Therefore, the SEC should do nothing to chill that work." Cox said "Financial journalists need to understand that the SEC considers them vital partners in our mission." (Orange County Register March 6 2006).

In the UK, the equivalent moment in which a line in the regulatory sand was drawn was in relation to the Interbrew case, in which The Guardian found itself in contempt of court after refusing to hand over documents relating to a leaked story about a merger involving a large drinks company. In this case too, the regulator (UK regulator the FSA) established a doctrine relating to protection of sources, but, in the case of the UK, this remains informal and unwritten.

Both regulators, in establishing these doctrines, recognised that journalists perform public interest functions that are in many ways aligned to those of regulators, such as holding

In the simplest possible terms, the responsibility of any journalist is not to abuse their position, breach a contract of employment, or break the rules enshrined in the various codes of conduct and laws they are subject to. Rules applying to financial journalism deal with market abuse, conflict of interest, and the general journalistic virtues of accuracy, truthfulness, fairness, and respect for privacy. If they are found to have broken the rules or the law in conducting their journalism, they must leave the profession. (In the leading newspapers and broadcasters in the UK and the US; breach of ethical codes constitutes a breach of employment contract and could constitute grounds for dismissal. Re-employment in the profession after such a breach is rare).

But beyond this there has been considerable dispute regarding what constitutes responsible business and financial journalism. The views of the journalists interviewed for this paper revealed considerable diversity of views on their basic responsibilities: views ranged from those who saw their responsibility in terms of selling newspapers (and thus focused on the shareholders of the companies employing them) – to those with a very developed idea of the social function of financial journalism and associated ethical responsibilities. Others identify with the values of the profession as a whole. And an interesting new challenge is that many of those providing services akin to financial journalism in the new media reject the label of journalist altogether, preferring to opt out of any ethical framework associated with it.

Some specialist business and financial journalists see their role entirely in terms of provision of information to investors, and their primary responsibility in terms of helping them make successful investment decisions. Some have a very developed sense of how they should serve investors, keeping a mental tally of successful calls and tips, and their implications for investors' bottom line. Others are much less socialised into a general journalistic view of the world, seeing business journalism as a branch of journalism with the same orientation to the broader public interest as a whole. If a business journalist deals with a story on the ethical practices abroad of a company – a story on child labour or collusion with non-democratic authorities, for example – should the business reporter base news values on whether this is likely to impact the bottom line or on a more general journalistic notion of the public interest? Ultimately, do journalists have a broader professional duty to ensure that corporate

To summarise, financial journalists like all journalists do enjoy some privileges, such as access to sources, protection of sources and certain rights to immunities in relation to defamation and privacy law if what they are doing is deemed to be 'in the public interest'. They also enjoy other informal privileges such as access to sources and resources. As we shall see in the following sections these privileges are under threat. Access to sources is undermined through the strategies of PR companies. Protection of sources is under review and defamation risk is a constant challenge for financial and business journalists. And perhaps the more daunting task in the context of new entrants and new platforms is to determine who is a financial journalist.

malpractice comes to light, or is their role merely to provide whatever their readers want? And are those readers basically to be addressed as real or potential investors or as citizens with a variety of views? All outlets will develop their own ideologically tinged approaches to these fundamental questions. And whilst these abstract questions will rarely be explicitly discussed on news desks, the de-facto orientation of any journalist to these fundamental responsibilities will impact every aspect of her professional practice, in terms of what stories are sought, what news values are accorded to them, and how they are presented.

In summary, there is some general agreement on a basic tier of responsibilities that most financial and business journalists agree to: to respect the codes of conduct and the law, and to respect any particular guidelines that apply to the particular outlet in which they work. But the more positive responsibilities are much more disputed. Some reject the notion of any profession-wide template of responsible behaviour entirely, arguing that each media company, in providing news services, simply serves customers and responds to their demands. Others have a more developed notion of the role of financial journalism in the system of corporate governance: according financial and business journalism a 'fourth estate' role in relation to corporate power: holding both businesses and public authorities to account and investigating malpractice.

The New Debate on Responsibilities

The notion of journalism as a public trust is not new⁹ but this has not been expressed in terms of detailed analysis of laws and codes, nor has it been applied specifically to financial journalism. The idea of journalism as a 'profession' is an older debate,¹⁰ and there has been a long standing debate about the advantages and disadvantages of professional self-regulation.¹¹ Presenting journalism as a compact in which certain privileges are afforded (such as speech rights, qualified privilege, rights of access to news events and so forth) in return for respecting an ethical code, can be enlightening in helping us understand what happens when such a profession attempts to redefine itself in the face of rapid change, including the rise of new intermediaries who may, or may not, call themselves financial journalists or subscribe to an established professional ethical framework.

The model of a social compact of journalism or a public trust is controversial in that it implies that these privileges are somehow contractual. As pointed out at the outset, this is not in a direct, formal sense, the case. The rights and privileges of journalists are won piecemeal and the ethical framework is an organic set of institutions with a very good deal of variation in established practices. But in a looser sense there may be a degree of conditionality implied. If the social function of the press was not recognised in law, and if the particular economic and social role of financial journalism was not recognised and acknowledged by regulators and the courts, such privileges would not be granted.

Reflexivity and Responsibility: News and the Market

All journalists – even sports journalists – enjoy some privileges and have some responsibilities. Access is a privilege granted to journalists in recognition of the public function of news, and responsibilities to truthfulness/accuracy, for example, are fundamental for all journalists. But in order to understand the particular professional ethics and institutions of financial and business journalism it is necessary to delve a little deeper into the profession and, in particular, into the reflexive nature of its relationship to markets. Much of the framework of rules relates to the power that journalists hold – The power to move markets.

The power to move markets leads to several distinct implications which may result in financial journalism having a particular take on the second half of the old adage: 'publish and be damned.' These relate to the potential for illegal market abuse, the ethical minefield around the potential to panic markets and the impact on broader consumer sentiment. Whilst there is also a more esoteric potential to be concerned with the overall efficiency of markets, particularly capital markets, this is rarely reflected upon.¹² The media may

exacerbate herding, momentum and other forms of capital market dysfunctionality, and this might be compounded by particular approaches to financial and business journalism.¹³

Market Abuse and the Media

Market abuse regulation assumes that news reporting can have a direct effect on the behaviour of investors. In the case of news reports on individual companies, publication of a news story can have a measurable impact on share price.¹⁴ This of course could lead to a temptation for journalists to abuse their position for private financial gain, at the cost of disseminating false or misleading information to other investors. For example, to artificially ramp up the price of a share they own or depress the price of a share in a short selling scam. These practices, since the 'City Slickers' case in the UK, have been well documented and elicit loud cries of foul play and calls for tougher regulation when they do come to light from time to time.

9 In Defense of Journalism as a Public Trust salzburg, austria; march 26, 2002 see www.poynter.org/content/content_view.asp?id=4949

10 The Professionalisation of Journalism: Impetus or Impediment to a "Watchdog" Press. Mark J. Osiel. (1986) See also Hallin and Mancini, (2000). See also Rethinking the Concept of 'Professionalism: The Case of Journalism. Aldridge, Meryl and Evetts, Julia. British Journal of Sociology 547-564, 2003.

11 See for example Tambini, Leonardi and Marsden (2008).

12 The idea that capital markets are efficient ways of allocating societal resources is an assumption that is rarely tested, and the notion that financial and business news may have a key role in ensuring that they are effective is rarely reflected upon.

13 I am grateful to Dr Paul Wooley, Director of LSE's Centre for the Study of Market Dysfunctionality

14 See For example: Aeron Davis, Media Effects and the Elite Audience. A Study of Communication and the London Stock Exchange. European Journal of Communication. London 2005. See also Paul C Tetlock. Giving Content to Investor Sentiment: The Role of the Media in the Stock Market. The Journal of Finance Vol LXII No3 June 2007.

News and Prices: research findings

US research examined the market impact of a survey of the 'Worst Boards' published in Business Week in the US. As well as the impact on prices, the research examined their further consequences (such as the removal of CEOs).

What not to do: misuse and abuse of financial journalists' power

Market Manipulation

Rogue Journalists can benefit from manipulating prices. This might be through omission of certain details including declarations of personal interest, by allowing oneself to be manipulated by others, or deliberately as part of a strategy to profit from price fluctuations.

- Ramping. The technique used by the infamous City Slicker columnists at the Daily Mirror: at its simplest this involves buying up shares, boosting them with a news story or a comment and then selling the inflated shares at a profit. As they are artificially inflated they are likely to decline quickly in value which is why this is seen as direct exploitation of readers.
- Short selling involves selling financial instruments that are not owned at the time of sale. In the expectation of declines in price, shares are borrowed and then sold. Later they are bought back at a lower price for return to the lender, and the difference in value is the profit. By spreading false rumours, prices can be artificially deflated. Deliberate rumour mongering has been blamed for price declines linked to 'shorting', and blame has been directed at bloggers and journalists.
- Insider Trading is trading on the basis of non-public information, usually gained through a formal relationship with the company in whose stocks one trades. The extent to which journalists are covered by insider trading regulation varies from jurisdiction to jurisdiction, but in the US and the UK, trading on the basis of information gained through ones' formal duties as a journalist could be considered to be insider trading.

All these forms of market abuse are illegal, usually because they constitute a fraud against the employer, and often because there are wider public interest considerations. (Although some economists so say that insider trading should be legal in order to incentivise the disclosure of sensitive information to the market, it remains strictly illegal). In addition to the law on market abuse, journalists are generally governed by their professional codes of conduct (the PCC code

If business journalists use their position to abuse markets they are thus almost certain to be breaking the law. Journalists interviewed were unanimous that journalists like James Hipwell and the other 'city slickers', and individuals like Foster Winans, were transgressing the fundamental norms of the profession. According to one Business Editor interviewed: 'If journalists want to make money by doing something that might be fraudulent they wouldn't actually be journalists. It is not very easy to make money out of ramping.'" More research and analysis is needed to ascertain if such directly corrupt practices are prevalent in the profession or not, but those interviewed for this study argued that it is extremely rare – at least in the 'old media'.

Financial journalists' professional ethics are encoded in professional codes and self regulation. It must be underlined that the role of the UK PCC, aside from providing a code of ethics and a financial journalism guidance note, is minimal. The PCC does not, in general, initiate complaints and the number of complaints is very small indeed as one would expect with crimes of this type

which, whilst difficult to perpetrate, are also difficult to detect. The ethical policing of financial journalism in the UK takes place above all within the editorial processes and management structures of individual media outlets which organise disclosure procedures, enforce ethics, and make the key judgement calls in cases of potential conflicts of interest. Given the potential market impact of business news and therefore the potential for abuse, and the 'regulatory carveout' established in response to the Market Abuse Directive, we would expect these procedures to be robust.

Interviews for this project, whilst illustrating a high level of awareness of ethical issues do not reveal consistently robust compliance procedures. Even though the PCC code and the ethical codes of leading news outlets set out a broadly similar set of principles, individual journalists and editors, in fact, have quite a broad range of approaches to some key ethical issues. According to one leading UK financial journalist: "we take a view that markets are basically corrupt that at any one time there is a large amount of insider information circulating, which people are trading on. And, we make our job to plug in those insider trading deals and then publish the information to everybody. And now along the way that causes price hikes. It does. No doubt about that. But that is just the nature of the market. We don't think we have any sort of moral obligation to smooth the way. As a matter of fact, it's the opposite. We take the view if you act as the smoothing, controlling influence you are doing that just on behalf of somebody else. You probably have poor reasons for you doing that." This respondent may have been deliberately provocative, but the practices thus revealed, of deliberately publishing insider information and a degree of comfort with the resulting impact on the market, were shared by many of the journalists interviewed.

According to another financial news editor: "It seems to me every financial news editor is always looking potentially for the story that is going to have a big impact in the market the next morning. I think that is what everybody is looking for. I think to say that they are frightened of prompting the market into irrational behavior is the wrong way of looking at this. There is a different problem which is to say that all journalists are frightened of making themselves look rather foolish. And insofar as the markets verdict about something is by definition right (...) you think very hard indeed about cutting across that, the chances are you are making yourself look silly. If you find something which will have a big impact in the market, then you are onto a big story. If you are not looking for that then you are in the wrong job." Journalists seek impact. The ethical issues concern whether this is more important than 'accuracy' and whether abuse of this impact is policed. The current situation in the UK is that in relation to many of the key ethical responsibilities of business journalists, we rely more on trust than on robust compliance procedures.

News and Prices: research findings

Barber and Odean (2005) find that individual investors tend to be net buyers of shares on 'high attention days'.

The important finding in this US based research is that the tendency on such days is for institutional investors in overall terms to be net sellers of those stocks whereas individual investors buy. The authors hypothesise that this is due to the limited information available to investors and 'bounded rationality'.

Market Sentiment and Business Journalism

As the UK headed into an economic downturn in 2008, journalists were – perhaps unfairly - criticised for spreading gloom. Ethical debate has long focused on the micro impact of news on stock prices, but perhaps a more fundamental issue is this impact on broader economic sentiment. Whilst the causes of panics and corrections, like other forms of market behaviour, ultimately lie in economic fundamentals rather than media representations, reports by the media and by financial journalists do have a role, and they have come under increasing scrutiny during a succession of shocks to the financial system since 2006. The media are criticised, on the one hand, for ‘boosterism’ which exacerbates irrational exuberance and may lead to damaging ‘bubbles’ and painful market corrections. They are also criticised, on the other hand, for bursting such bubbles through excessive doom and gloom when reporting on those corrections.

There are good reasons why journalists might get caught up in financial euphoria. According to JK Galbraith, journalists and others who speak out publicly against financial euphoria ‘...will be the exception to a very broad and binding rule. They will be required to resist two compelling forces: one, the powerful personal interest that develops in the euphoric belief, and the other, the pressure of public and seemingly superior financial opinion that is brought to bear on behalf of such belief’. (Galbraith, 1990, 5).

Market bubbles are self reinforcing in part because of generalised herding behaviour driven by a commonly-held interest in market over-valuation, reinforced by practices such as tracking and ‘momentum’ investment. Thus, ‘strongly reinforcing the vested interest in euphoria is the condemnation that the reputable public and financial opinion directs at those who express doubt or dissent.’ (Galbraith, 1990, 6). The ‘group think’ that Galbraith refers to has been the subject of voluminous analysis by behavioural economists, but the impact of established media news values, regulation and ethics on market behaviour has been less researched. News values – and the informal processes whereby news professionals decide what ‘the story’ is at any time, could contribute to this ‘herd’ mentality. News management could compound the effect of exclusion of dissent, particularly where journalists rely more on PR.

Just how important are the news media in shifting markets and in terms of setting the overall mood in terms of public confidence? Might media reports lead to tipping points in markets? Do current trends in provision of financial news intensify or undermine the market impact of news? Until further research is carried out in this field, it is possible to raise, but not to resolve, these questions. Whilst institutional investors now receive most of their directly investment-related information from professional analysts and subscription platforms in a process that is increasingly mediated by machines, we might expect that the public media are likely to have a strong impact on the more general level of public and consumer confidence, but this in turn may be altered by the rise of new news sources. Surprisingly little research has been carried out on the changing nature of that relationship.

“ Harvard Economist J.K. Galbraith was asked by the New York Times in 1986 to write an article on the speculative build-up in New York financial markets and the mergers and acquisitions mania prevalent at that time. The article, which predicted the crash of October 1987 was refused publication by the New York Times as it was seen as too alarmist.”

(John Kenneth Galbraith: A Short History of Financial Euphoria. Penguin 1990: p10).

Panic and Rumour

Interviewer: Do you agree that under certain circumstances journalists should avoid panicking markets?

Senior Financial Journalist: They should avoid panicking markets for malicious reasons. I agree. Er...There are issues of responsibility but they should never shy away from telling the truth.

The reflexive relationship between reporting and the market leads to other ethical and practical issues. One is the question of whether reporters should take particular care not to cause panics or sudden collapses in confidence. This comes into stark relief when a particular institution collapses following a news report, as was the case when Northern Rock collapsed following a BBC report in September 2007, and during the financial crisis of 2008. Whilst it is clear that the Rock had made fundamental mistakes and would have required assistance from the Bank of England whatever the news reporting; many argued that the consumer panic and the run on the bank was triggered, and perhaps worsened, by the nature of BBC reporting. But to raise these questions leads to suggestions of gagging or soft censorship of financial journalists. There was no clear consensus from those interviewed concerning how best to address these issues.

Whilst Robert Peston was criticized for a lack of caution in his reporting of Northern Rock by some of our respondents, his own description of his approach to reporting Northern Rock shows that he is aware of a particular need for caution.

“At the beginning of the week of 10 September, I was informed through sources that Northern Rock’s liquidity problem was such that it would almost certainly need assistance from the Bank of England. I did not report this immediately because I wanted as much detail as possible before broadcasting. The BBC has more impact than most other UK news outlets - the Ten O’Clock News has roughly five million viewers and Today has roughly four and a half million listeners – so it was crucial that I obtained every relevant fact and would not be vulnerable to the charge of being sensationalist or sloppy... I first broke the story at 8:30pm on 13 September on the News 24 channel. It was repeated throughout the night and I also put together longer pieces for the Ten O’Clock News, Radio 4 and other radio channels. I also wrote about it in my blog. In the reports I said two things: (1) it was hugely damaging for Northern Rock’s reputation that it was running out of liquid resources and needed access to emergency funds from the Bank of England. (2) I didn’t think depositors should panic, because the Rock did not at the time appear to be suffering serious losses on its assets (its mortgages). In my original reports, there were no inflammatory images and no use of language such as ‘bank run’.

Given the position of the BBC in the UK market, Peston has been seen as a key player in relation to market confidence. Obviously even Peston’s influence is limited – given the global nature of the financial crisis – but this has not prevented commentators referring to him in calling for a new approach to reporting of ‘panics’. Financial journalists have particular difficulty reporting rumours. Interestingly, mainstream and political journalists often have a more relaxed approach, perhaps because the impact on the political market is not so immediate and measurable as impacts on financial markets. Liability for market abuse is also a consideration and the constant danger is that of being instrumentalised by other interests.¹⁵

Early in 2008, a sudden decline in the share price of one of the UK’s largest banks was seen as attempt at market manipulation by individuals linked to hedge funds in an attempt to profit from their decline in price. According to John Waples, Business Editor of the Sunday Times, writing on 23 March 2008: “There is a professional circle of individuals who operate as a loose federation to put about and circulate rumors. The growing use of the internet and e-mails has made it very easy to achieve this and it is becoming very dangerous. There is little doubt that the proliferation of hedge funds, run by individuals who are highly incentivised to make money from stellar performance, are involved in some of this dubious activity. It is only a very small minority, but it is sufficient to tarnish the reputation of the sector.”¹⁶

¹⁵ See Hallin and Mancini, 2000, chapter 1, for a discussion of professionalisation of journalism and its relation to political parallelism (or political subsuming of media outlets).

¹⁶ <http://business.timesonline.co.uk/tol/business/columnists/article3602114.ece>

Clearly in the days of blogs, messaging and email newsletters it is important that professional financial journalists put clear boundaries between themselves and the rumour mongers. In the case of HBOS, the mainstream media were quick to use their contacts and verification strategies to put out news denying the unfounded rumours. Whatever the merits of this example – the subject of a market abuse case – it is clear that understanding the processes through which rumours are reported upon, how financial news is processed and received and how investors make their decisions, is crucial. It appears to be the case that whilst the public are – and always have been – exposed to many sources of rumour, some members of the public turn to the media as trusted sources of information in order to verify these rumours. Whilst the pressure to file stories must be great, interviewees agreed that financial journalists have to have a firm filter against being used. In the words of one former editor of a national newspaper “just peddling rumour simply fulfils the wishes of the rumour mongers”.

The reporting of rumours is a particularly difficult territory from an ethical point of view. Market sensitive information is of value to readers and journalists see their role as getting it to them quickly. Traditionally, rumours have appeared in particular columns and in qualified forms. Increasingly, of course rumours circulate more freely and have a market impact without reporting in the conventional press. In general, codes and professional practice underline clearly the need to verify rumours from authoritative sources, and readers and viewers.

Rumors and Panics

Alex Brummer, City editor and chief financial commentator at the Daily Mail, said journalists were “hyper-sensitive” about the turmoil in global markets and had been careful not to cause any panic among savers and homeowners.

He said: “Here we are in a particularly volatile place – and once [a rumor] appears in a headline, we saw what happens with Northern Rock. The queues spin around the block.

“You’ve got to nip it in the bud. Banks are in many ways a special case because confidence drains away from them very, very rapidly. When you are dealing with banks, you have to be responsible.”

Ethical codes for financial journalists tend to focus on the potential for market abuse, rather than on the more general need to exercise skepticism and avoid group think. The potential ethical dilemmas that result from the potential for market abuse are often described in codes of conduct in terms of ‘conflict of interest’. The usual self-regulatory procedure for dealing with these conflicts is to disclose any conflicts to a senior editor. According to a 2003 report in the New York Times:

“Stephen Shepard, BusinessWeek’s editor in chief, said that under his magazine’s ethics code, “you are not allowed to own stock in any company that you write about.”

At Forbes, its editor, William Baldwin, said the policy he wrote for the magazine’s editorial staff “explicitly prohibits” reporters from writing about any company whose shares they, their spouses or children own. Reporters are also prohibited from writing about companies that employ their spouses. But Rik Kirkland, managing editor of Fortune, said he did not consider all stock holdings, especially those held for more than six months, to present insurmountable conflicts. (New York Times July 28th 2003).

External disclosure – disclosing interests to readers or viewers - was less common as a formal obligation though it is part of the BBC regime and many codes make clear that there are circumstances when it may be appropriate. The PCC best practice note recommends external disclosure of interests (shareholdings) when recommendations to buy hold or sell shares are made by journalists

Codes of conduct therefore need to be understood in terms of the way they are interpreted in practice. How do editors and journalists deal with the ethical dilemmas that confront them in the newsroom? What about direct conflicts of interest? What happens when journalists themselves, or those close to them, hold shares in a company? According to one former editor of a national newspaper, codes serve more to communicate standards and raise awareness than as an effective tool of policing behaviour. “Ethical safeguards are only as good as the

Playing by the Rules: Ethics in Practice

Onora O’Neill argued that the press should do more to give readers the ability to assess the trustworthiness of what they are printing. Newspapers, according to O’Neill do not have a freedom to deceive and their freedom entails responsibilities. “A lot could be altered by procedural changes, such as a requirements for owners, editors and journalists to declare financial and other interests (including conflicts of interest) and to distinguish comment from reporting, or by penalties for re-circulating rumours others publish without providing and therefore checking the evidence”... (Onora O’Neill; BBC Reith Lecture 5, 2002).

people... in general active trading is frowned upon, and you can ask people to disclose their interests. But this depends on them not trading through their sister, their aunt, their hairdresser or whoever”.

Only a small minority of the journalists interviewed said that they actively traded in stocks or shares. Most said that they did have some form of investment, mostly in the form of pension or mutual funds, and that they were more comfortable with this as they found it freed them from potential conflicts of interest. All of the major outlets covered, with the partial exception of the ‘pure online’ outlets, operated a policy of avoiding the situation in which journalists would report on sectors in which they had investments. Usually this involves an obligation to disclose share portfolios to editors.

According to the PCC’s own summary, the PCC code

- prohibits the use of financial information for the profit of journalists or their **associates**;
- imposes restrictions on journalists writing about shares in which they or their close **families have a significant interest without internal disclosure**;
- stops journalists dealing in shares about which they have written recently or **intend to write in the near future**; and
- requires that financial journalists take care not to publish inaccurate material and **to distinguish between comment, conjecture and fact. This is particularly important for any journalists making investment recommendations to readers about whether to buy, sell or hold shares.**

The PCC receives only one or two complaints in relation to its financial journalism rules per year, and whilst it has the power to initiate investigations, has not yet done so.

Interviewees revealed a wide range of practice on disclosure of interests and there is some evidence that even national newspapers are not conforming to the PCC standards. According to the business editor of a leading national newspaper: “If we are doing a big piece on oil and a journalist turns around and says that ‘Actually I have got 2 millions of pounds worth of shares of BP and 3 millions of Exxon which was left me by my father so I can’t write about it.’ I would say ‘Rubbish.’ I don’t see why it would affect this at all. Of course if I saw prejudice in the writing I will stop him straight away but it would not stop him writing. If he is a very good journalist and if it is a good story and if he concluded that what he was writing would drive up the share prices of BP and Exxon, would I still let him write it? I would probably give it to another journalist. But I am not sure I would, actually. I would trust the journalists and I would trust my gut instincts to independent reporting.” This view, perhaps deliberately provocative, was not widely held among the interviewees. According to those interviewed for this project, the normal procedure in most long-established newspapers and broadcasters would be for journalists to disclose any significant interest to their editors, in the knowledge that they would as a result not be permitted to report on that company or sector. Any assessment of the operation of internal disclosure should acknowledge that in doing so the reporter may be foregoing key career opportunities in a very competitive job market and creating management problems in resource-constrained newsrooms. There would be strong incentives not to disclose.

Internal disclosure, in some cases – for example, the Wall St Journal –operates as a rigid annual procedure of maintaining a formal register of journalist interests (and signing of the ethical code). In other cases, and this was particularly the case in the UK press sector, the approach was more informal. Sometimes there appeared to be no formal regular procedure for disclosure of financial interests to editors, despite the clear indication in the PCC’s Best Practice Note that this would be considered best practice.

Where there are potential conflicts of interest, some outlets operate a policy requiring the disclosure of interests to readers, known as external disclosure. One famous case of such external disclosure was the case of Maria Bartiromo, at CBS, who made an on screen disclosure in 2003 that she owned around \$45,000 of Citigroup shares before she conducted an interview with the chief executive of Citigroup. This resulted in a lot of criticism of her ethics. Robert M. Steele, ethics group leader at the Poynter Institute was reported as commenting that

“Disclosure doesn’t resolve a conflict of interest; all it does is reveal that a conflict exists.”
(New York Times July 28, 2003).

Whilst it can be useful to know if journalists hold shares, external disclosure probably in many cases fails to address the ethical pitfalls of tipping as for some readers or listeners disclosure could constitute endorsement of an investment product (“buy this – I did”) rather than explicit qualification of a tip (“I would say this of course and stand to benefit, but...”). Clearly, only so much can be specified in a code and how such guidelines are implemented must involve a genuine engagement with the ethical dilemmas that are involved in business journalism.

There is of course a further problem with the ethical codes in operation. Whilst it can indeed present a conflict of interest to be reporting on companies in which one has a direct financial interest and this seems to be the focus of many of the codes, there is of course the question of reporting on the competitors to those companies which could be just as significant. Whilst some codes, particularly in the US, would oblige journalists to forego reporting on any sector in which they have an interest, this too would be difficult to implement to the letter in fast changing sectors. There are arguments for focusing as Onora O’Neill recommended less on the procedural correctness of observing the codes and more on the level of ethical understanding among journalists themselves.

Senior Financial Journalist: I think the journalists should own shares and they should be allowed to write about the companies they own shares in as long as everyone knows and they don’t trade on those shares before they’ve written about them. In financial journalism, it is very good to put your money where your mouth is sometimes, especially giving advice to consumers which they are reader. If you think XYZ company is a good share I won’t have any problem with that particular journalist saying that and then buying the shares as long as he tells the world he’s buying the shares.

Interviewer: So you have a policy of external disclosure as well, not only internal disclosure? Not only to you as editor, but also to the readers. **Senior Financial Journalist:** Absolutely. I would.

Interviewer: Is that what would happen in the newspaper?

Senior Financial Journalist: That would happen if they own shares. It has not come up. But what I’m saying is that I would have objection to that happening.

Interviewer: It could be controversial.

Senior Financial Journalist: It might be controversial. It would be good thing to do. I’m thinking about myself. But you do need to know that journalists working on [my newspaper] do not own a large portfolio of shares that they regularly trade. This doesn’t happen.

The range of disclosure practices evident, in particular, in UK newspapers does raise questions regarding the extent to which newsrooms are conforming to the letter with the FSA regime on investment recommendations which obliges disclosure where the publication is engaging in investment recommendations.

From The FSA Handbook – Journalists (article 20)

PERG 8.12.23

The broad scope of the restriction in section 21 of the Act will inevitably mean that it will, from time to time, apply to journalists and others who make their living from commenting on news including financial affairs (such as broadcasters). This is liable to happen when such persons offer share tips or recommend the use of a particular firm for investment purposes. Such tips or recommendations are likely to amount to inducements to engage in investment activity.

Continued from page 17

In addition, the publication, service or broadcast must be one which satisfies the principal purpose test set out in article 54 of the Regulated Activities Order. This means that the principal purpose must not be to advise on or lead or enable persons to buy or sell securities or relevant investments. See PERG 7 for further guidance on this. Article 20 does not define what is meant by a person 'acting in the capacity of a journalist'. In the FSA's opinion, this expression has a potentially wide meaning. It will apply to anyone who writes for or contributes to a publication, service or broadcast. This includes experts or analysts who may be asked to contribute articles for a publication or website service or to offer their opinion in a broadcast.

PERG 8.12.26

Provided the conditions in PERG 8.12.25 G are met, the exemption in article 20 applies to any non-real time financial promotion. However, there is an additional condition where the subject matter of the financial promotion is shares or options, futures or contracts for differences relating to shares and the financial promotion identifies directly a person who issues or provides such an investment. In such cases, the exemption is subject to a disclosure requirement ... This requirement is that the financial promotion must be accompanied by an indication of the nature of any financial interest held by the person responsible for the promotion (that is, the journalist or editor) or member of his family (his spouse or children under 18). A financial interest would be subject to disclosure where the person or a member of his family would be likely to get a financial benefit or avoid a financial loss if persons acted in line with the financial promotion. Article 20 does not specify the way in which a financial interest should be indicated. In the FSA's view, a financial interest should be disclosed in a way that will enable recipients to understand readily its nature. For example,

'the writer has a substantial holding of traded call options in these shares'.

PERG 8.12.27

The exceptions to the disclosure requirement are where the financial promotion is in either:

- (1) a publication, service or broadcast which has proper systems and procedures which prevent the publication of communications without disclosure of financial interests; or
- (2) a publication, service or broadcast which falls within the remit of:
 - (a) the Code of Practice issued by the Press Complaints Commission; or
 - (b) the 2 OFCOM Broadcasting2 Cod
 - (c) the Producers' Guidelines issued by the British Broadcasting Corporation2.

PERG 8.12.28

Financial Journalism in a Challenging Environment

Some of the challenges facing financial journalism are not new. The need for enhanced training and skills for financial journalists, conflicts of interest and potential for market abuse, and the unremitting daily struggle to avoid being instrumentalised and treating stories with appropriate scepticism, are the enduring themes of the trade, dating back to the emergence of financial journalism in the mid 20th century. But according to those interviewed for this report, new communications technology adds to these pressures and poses new challenges.

Speed

Journalists – like most people- groan when they are asked to do work more quickly. It is undeniable that pressure for increased productivity has led to journalists writing more stories in less time than before. Some things have got easier, such as the availability of data online and accessibility of sources – such as regulatory data like SEC filings and Companies House data - via new communications media. But, on the other hand, the expectation is that material will be published as soon as possible, regardless of print deadlines or broadcast bulletins. Most journalists agree that this leads to intense professional pressures: both in terms of the degree of senior editorial oversight before publication and in terms of the extent to which additional sources can be accessed and verification standards maintained. Many respondents claimed that journalists were forced as a result to rely on a narrower range of established news sources such as PR companies.

According to the editor of a web-based business news service: “our readers want information at 6.00, 7.00 or 8.00 in the morning. ... You cannot get your best journalists to work regularly 12 or 13 hour days. It doesn't work like that. People burn out. So we get stretched to the ends. ... On the newspaper the moment when a piece of news has been delivered to, say, the news editor, it'll go through the whole process of ... news editing, sub editing, copy proof, whatever, go through that process and sending to the print site, put it on the page. That'll take 2, 3 hours, OK (on our site), because we're a very small team using quick, light, web-based technology, the production process takes about 2 or 3 minutes. So, it's fast, ultra-fast. That again changes the way you write.”

The processes through which facts are verified, judgements of news value reached, and reports are selected for publication are likely to have significant consequences for individual companies, investors, employees and potentially for the broader economy. Yet these processes of selection, verification and presentation and the formal and informal ethical codes, rules and laws that apply to reporting are poorly understood. Clearly there is a trade-off between speed and attention to ethical niceties and it is one where financial journalism has yet to find a new equilibrium of accepted practices.

Getting the balance wrong could lead to Financial Journalism as a profession becoming irrelevant. According to a leading Fund Manager: “There is this ... vicious downward circle: you have fewer journalists paid less with less time and they don't have the luxury of spending the time you need to come up with information that is required. So it becomes less useful to people like me. We ignore it increasingly and it becomes sort of marginalised.”

“ ... On the newspaper the moment when a piece of news has been delivered to, say, the news editor, it'll go through the whole process of... news editing, sub editing, copy proof, whatever, go through that process and sending to the print site, put it on the page. That'll take 2, 3 hours, OK (on our site), because we're a very small team using quick, light, web-based technology, the production process takes about 2 or 3 minutes.” Financial News Blogger.

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Complexity

Financial stories are more complex and specialist than ever before. In the hand wringing following the collapse of Enron, some journalists admitted that the degree of complexity in the structure of Enron's business baffled them. Those covering the Credit Crunch and the Northern Rock stories also required specialist knowledge if they were to form an independent view. The lack of skills of this type among journalists adds to the reliance on intermediaries and news

professionals to 'interpret' and explain stories for journalists.

According to BBC Business Editor Robert Peston, the financial media could have done more to foresee some of the problems resulting from the credit crunch and complexity is part of the problem: "The financial press has typically focused too much on equity markets and not enough on debt markets... For many months, I was very concerned about the explosive growth of CDOs (Collateralized Debt Obligations) and I tried

reporting. Doing so was a challenge, when even bankers creating the CDOs were unable to describe them in terms that make sense to non-specialists."

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to explain them through my reporting. Doing so was a challenge, when even bankers creating the CDOs were unable to describe them in terms that make sense to non-specialists."¹⁷

Whilst non-journalist stakeholders agreed that complexity was a problem, there was some dissent from this view in the interviews conducted with journalists. Perhaps because of a certain professional pride, they tended to point to some of the strengths and successes of the profession. Others were more ready to argue that the complexity of business and financial markets is putting a strain on reporting.

¹⁷ Robert Peston quotes are from an interview

The challenge of increasing complexity is put into perspective when we realize that the average length of business news items remains below two minutes for all but Channel Four News, according to research conducted by Michael Svennevig for the BBC Trust. (Svennevig 2007, p6).

April 2007

Table 1 Average Business item length (min : sec)

BBC TV	ITV	C4	Sky News	BBC Radio
1:47	1:26	2:04	1:42	1:42

conducted by Terence Kiff for an MSc dissertation, Department of Media and Communications, London School of Economics. July/August 2008. I am grateful to Terence for supplying the transcript.

Strategy

Increasing pressures of speed, complexity and productivity add to the constant challenge for journalists: namely to ensure that they are not used in the service of someone else's interests, but report in the public interest or at least the interests of their readers. Business and financial PR has become much more important in the field in recent years.

The Rise and Rise of Financial PR

Financial PR has been a high margin, rapid growth industry in recent decades. In 1986, British companies spent £37m on financial PR. A decade later the annual figure had risen to £250m. (Michie, 1998: 26). The evidence is that the past decade has seen similar or perhaps larger rates of growth. Industry sources estimate that financial PR consultancies can command fees up to 1 percent of the bid values in M+A deals (Miller, et al. 2000).

The current credit crisis is considered to be the greatest challenge of the industry and the professionals predict that the merger business will pick up in 18 months time. (Brunswick, 2008). Even so, the financial PR industry as a whole managed a revenue increase in 2007. On PR Week's top 150 UK PR consultancies league, listed companies' fee income saw an average 22 percent increase (PR Week, 2008). The industry is dominated by a few agencies. Brunswick tops the league in Mergermarket's 2006 table of pan-European PR advisers after advising on 146 deals worth £177.8bn. Brunswick, the largest financial PR company in the UK had almost a third of FTSE 100 Companies on its books. Finsbury, Financial Dynamics, Citigate and Maitland hold the spots from the second to the fifth, all advising on deals worth over £100bn (Daily Mail, 2007).

Sarah Whitebloom, financial reporter with The Guardian, writes 'If you really want to know what is going on in business and the City, don't bother reading the financial press. Ninety percent of their stories have come hot off the fax machines of public relations firms or have been "provided" by one of the innumerable PR men who stalk the Square Mile'. (Corporate Watch, 2003).

One Business Editor with a long experience in the UK saw the rise of financial PR as the single most important change to have taken place in recent years:

"In the last ten, twenty years I suppose the biggest change has been the rise of the

financial intermediary, financial public relations services. They are putting up barriers to information. I think they were always around but they've developed and become much more sophisticated. When I first came across them they were really kind of press cutting services. But now they are really strategy advisors. And there are some company directors that do not talk or answer phone calls without consulting them. And they have enormous power. In many ways, they set the agenda. They are the access point. They are making these people available for interviews or they don't make them available for interviews. They release information in a, what's the word, in a way which is carefully orchestrated to happen. [...] Things are very controlled in a way compared with the way it used to be.

Interviewer: What are the consequences of that?

The consequences are the free flow of information has been interrupted and the

“ If PR give it to you it means they want something. I don't particularly like it. If people give me stories I will be happy but I will stand them up. I try not to be used or manipulated. I don't want to be used. A lot of PR companies try to trade with journalists so it is always very subtle. They say 'we will give you this now' then they might want something nice written about their clients. It does happen. But I don't like it.”

of information we get can be very sanitized. It's very hard getting to the bottom of a story.”

former Financial PR professional claimed that there was increasing co-dependency between PR and journalists, as journalists are under time pressure to get stories, and PR now rolls access to the larger companies that control most of the larger stories: “the papers don't exist without financial PRs pushing stories to them everyday because they just don't want many stories.”

Journalists are of course aware of such strategies. The business editor of a national newspaper admitted: “I love the leaks. Some of the leaks are obviously done to protect their shares or to manipulate the share price. There is no question in my mind about that. It is much more difficult to do today than ten years ago”. Clearly there is a clash here between different aspects of professional and ethical responsibility on the part of the journalist. The journalist must get the story, and the leak is great news from that point of view. Presumably, if the story is big enough, who cares that the journalist is being put to instrumental use. In that context, the journalist may reason, perhaps the fewer questions asked about why the leak has been made, the better.

more seasoned journalists reveal a distaste for dealing with PR when pressed on the matter. “If PR give it to you it means they want something. I don't particularly like it. If people give me stories I will be happy but I will stand them up. I try not to be used or manipulated. I don't want to be used. A lot of PR companies try to trade with journalists so it is always very subtle. They say 'we will give you this now' then they might want something nice written about their clients. It does happen. But I don't like it.”

According to one former editor of a national newspaper: "some financial PRs simply tell whoppers. ... Friendship is a potential corruptor so PR must be kept at arms' length." London financial news is particularly susceptible to capture by PR according to one financial journalist who had worked in several countries "people are spoon-fed here in London. The financial PR industry is very developed. In Hong Kong journalists have direct access to people operating in the market" ... "PR can be a big problem for journalists. They [PR] selectively release information and then can block any further access. They can deny access to company briefings, AGMs and profit warning briefings"

This would seem to support Gillian Doyle's description of business news production: '...corporations vie with each other for the attention of a target audience mostly composed of investors. In so doing, they dominate or 'capture' business and financial news agendas to the exclusion of all other interests' (Doyle 2006: 435; see also Davis 2002: 70).

Whilst problems of spin and bias do create challenges for journalists; one very real problem is that interested parties - including corporate executives and analysts - do sometimes constitute the main repositories of data and the main experts. Dyck and Zingales describe the relationship between financial journalists and their sources in terms of a quid pro quo situation, and one analogous to recent critical views of political journalism: Access to information is granted; but only on condition that stories are presented in the required manner. (Dyck and Zingales 2003: 1-6).

The combination of increasing complexity and increasing impact of communications professionals is a powerful double whammy for financial journalists. According to a leading business editor:

" Well, I think, you know, there is a risk that any journalist can swallow lines from the [...]public relations people and so on but you need to be sceptical. But you know it's about picking all the information hopefully from the source, and not to take it all so seriously

Interviewer: With all the complexity you talked about, has it become more difficult to do that?

Editor: It is more difficult. Yeah. But, you know, there is a lot of going on which you don't understand and which we can't get at because of that complexity. That does make it a bit harder. But you know, what we are reporting on most of the time is takeovers, and companies' results, regular trading statements, and so on. We are all writing about the same statement. You need to ask all the right questions. [...]"

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Financial PR in Mergers and Acquisitions

Financial journalists interviewed claimed that their job was to know when they are being used instrumentally and by understanding the strategy of PR companies they would be in a better position to understand exactly how they were being used. However, when pressed on exactly what strategies PR were likely to be running, or to what extent they have reflected on those strategies, financial journalists tended to reveal that they had not in fact given a great deal of detailed thought to those strategies and interests.

A former financial PR executive was in a position to speak freely about PR during mergers and acquisitions: "We would work with the bankers and lawyers and ourselves, the PR people to ensure that the deal went through. But there is also a higher level of request to deal with that is to do with the price of the deal, whether the deal is worth it, dealing with the journalists to make sure that they know the deal is a worthwhile thing, that kind of thing. That is, if the deal is worth doing, try to deal with the shareholder and if you are the aggressor, if you are the person who are trying to buy the company, your job is trying to take the price down, obviously. And if it is a good price, a firm, final price, or you should buy your shares up. If you were the defending company you would be trying to push the price up."

.. "If you are involved in ... a very risky merger, with regulatory risks, then what you are trying to do is to talk down the risks which are associated with that merger. And that risk could be

Many interviewees harked back to a golden age of financial journalism in which a few players (the Financial Times in London; the Wall St Journal in New York) enjoyed a privileged monopoly provision as specialist business news providers. Supported by 'tombstone' announcement advertising by large corporate clients and steady sales, with little serious competition, times were easy. In the protected environment the professional ethics and responsibility of the profession were fostered and there was the financial stability to fund more investigations and longer term risks.

The contemporary scene is quite different according to those interviewed. Competition from new entrants, some driven by new technology, and specialist subscription news and information terminals such as those provided by Bloomberg and Reuters have long ago upset the comfortable monopoly of the business press. Increasingly, previously bundled services providing data, information, news, analysis and comment are unbundled. Much of the value derived in financial and business news, particularly in the press, is now in analysis and comment rather than data, information and news, as updates are provided around the clock and, increasingly, as a free service online. Many of the journalists interviewed stressed that there is still considerable doubt about the sustainability of new business models for financial journalism in the new competitive environment. Intensified competition leads to questions about what in fact the market will provide. Whilst demand for quality business news remains high and business news readers' demographics are valuable to advertisers, some aspects of

business journalism may suffer. In particular, expensive and risky ventures such as investigations are seen as increasingly difficult to fund:

'The huge investment of energy and uncertain outcome associated with investigative reporting means that, for most financial media in the UK at least, this is supported only on an occasional basis rather than as a routine activity. So long as this remains the case, the opportunities for media to play a role in uncovering frauds such as Enron will be limited.' (Doyle 2005: 443).

A senior editor of a national UK Financial news outlet agreed that:

"Putting two or three people onto a project for a month where at the end of it you might get nothing in terms of material is something that we would think very hard about doing, because it is expensive. (...) We used to have a small investigative unit, we don't really

anymore. Having said that, I would say that a lot of our financial journalists are doing investigative work of a sort every single day. That is what they do when they ask companies about their strategies, about their management, that's when they question the marketing and the nicely presented financial results and they try to get to the real story behind it. I won't pretend that this is heavy stuff investigation but it is a useful role."

A lack of resources would seem likely to impact quality and, in particular, accuracy. Standards of verification and sourcing vary outlet by outlet. Very few outlets will commit to the industry gold standard of two named sources for each story – for the simple reasons that sometimes one person in the right position is enough to verify a story, particularly if it involves that person - and time is scarce. It appeared that journalists are aware of the market impact of their reporting – both its impact on individual companies and on market sentiment more broadly. When journalists were questioned about whether this would effect their verification of a story there was a mixed response. Some indicated that they might be less inclined to publish a story at all until they were very sure of its veracity if they thought it may have an immediate impact on job losses for instance. Others admitted that they might be inclined to adopt higher verification standards if the story was likely to have an immediate market impact, but that resources sometimes limited their ability to do so.

" The huge investment of energy and uncertain outcome associated with investigative reporting means that, for most financial media in the UK at least, this is supported only on an occasional basis rather than as a routine activity. So long as this remains the case, the opportunities for media to play a role in uncovering frauds such as Enron will be limited." (Doyle 2005: 443).

Globalisation

Globalisation impacts the profession of business journalism on a variety of levels. First, **“Is it more difficult to identify a public interest”** it leads to some disorientation about news values and presentation. To what extent is **“public interest”** when the ‘public interest’ constructed in terms of a ‘national economy’ as global economic

trends increase in importance, companies are less ‘national’ and investors’ portfolios **“national interest” is less clear?”** more internationally diverse? The response to this will depend in part on the journalist’s understanding of his/her responsibilities. Those that seek to fulfil a broader role in corporate accountability may be more narrowly focused. Those focused on investors portfolios may need to focus on more global issues. Second, global delivery of financial news, potentially at least, brings nationally defined ethical systems into contact with one another. The financial press in the UK and the US, in particular, has seen new markets as a key area for potential growth: the Financial Times and the Wall St Journal in particular have seen significant increases in sales internationally. Third, to what extent might these trends of internationalisation lead to some kind of global norm emerging regarding the ethics of public communication of market information?

Historically there has been a tendency to tend to support national champions – and perhaps the national market as a whole - which may lead to blunted news values. But to what extent is this view of a national economy sustainable or coherent in the age of globally mobile capital? Will a foreign buyout of a UK or US company be represented in a negative light per se, or as a threat to the domestic economy, or will its impact for labour relations and capital investment be explored in detail before a view is reached? Whilst the internationalisation of titles such as The Economist, the Financial Times and the Wall St Journal mitigates against a sense of nationally bound public interest, the question of what this does to public interest reporting in business titles is yet to be explored. Is it more difficult to identify a “public interest” when the “national interest” is less clear?

There is some evidence from interviews that the global context may lead to a slight confusion or uncertainty on the part of journalists regarding their responsibilities and ethical framework. When questioned they often respond that their responsibilities are simple: ‘to tell the truth’ or to ‘provide the readers with what they demand’. But when combined with other potential ethical frameworks: the concern with the investment decisions of investors, or even a concern with the capital market as a whole in terms of its role as a rational or efficient capital allocation mechanism, there is scope for confusion and debate and this is evident in the interviewees’ responses. Reporters noted that news values seemed peculiar given the global nature of investment markets. News tends to focus on several well known UK Brands’ (such as Marks and Spencer) simply because they are more recognised, whereas other companies that may be as important, and foreign markets were neglected.

Regulation and Information

Defamation law was singled out as a key problem by several of those interviewed, as was the problem of the lack of publicly available information. Reform of the UK’s plaintiff-friendly defamation law is a demand made by all journalists, not just business journalists. But many argue that business journalism faces particular challenges, in part, because of the imbalance of resources between struggling media companies and large companies with larger budgets for legal fees.

The law impacts not only in relation to structuring the profile of liability risk for publishers. It also structures the access to the basic materials that journalists transform into news. According to one interviewee, “one of the key challenges for financial journalists is access to information”. In the view of these journalists “what is publicly available information in the UK that journalists can get hold of does not compare well to the US or any other country. That surely has a role to play in relation to financial journalism.” Whilst Freedom of Information Law has had an impact on access to data held by public authorities, business journalists need better access also to that held by private bodies.

Professional Closure: Who is the Financial Journalist?

To claim that the status of the business journalist comes with rights and responsibilities begs the question “who is a financial journalist”? Whilst in the past it was relatively clear who was a financial/business journalist since they worked for the established news media, the rise of bloggers, social media, new kinds of newsletters and other news services, undermines the informal professional definitions. There has always been pseudo journalism in the form of tip sheets, rumour reports, and newsletters, and many bloggers do aspire to being financial

extent, legal - constraints of the profession. This pamphlet is in part directed at them – to help them understand the implications of doing so. The results of the interviews suggest that financial and business journalism is more than a job, or an activity. It is a set of rules of thumb and an ethical attitude, albeit one that varies in some respects between outlets and a great deal between countries.

Online financial news should be separated between online versions and initiatives of old media – which tend to observe the same codes and standards; and pure play online financial news and information. This latter group appears to exist outside the existing framework.

Where broadcasting and newspapers once were the crucial media in terms of their market impact, new media now play a significant part. One editor recounts the case of a report on a rumour on his purely online news messaging service:

“There are rumours of private equity interest in a company called X. Now if it was true that the private equity group was going to buy X it would be on the front page of the newspaper because it would be confirmed, checked news. It would be a big story. But at the moment it is just among the market chatter. So, traditionally, this sort of information would be within the market reports. ... Because we are working online in this IM format, we print the same material but it HAS instant effects. Normally, the story which comes to the newspaper is printed in the middle of the night, turned over by the news wires. By the morning, people can take a view, a quite leisurely view on whether it’s true or not true. Or the story might have moved on in some way. When you print it live in IM conversation, nobody has anytime to check. And so the story can have a sort of exaggerated effect in terms of moving the prices. That brings with it huge responsibilities. Because if the story is wrong you can be moving prices falsely.

If you say something is true which is not true. (...) And it means you have to be 100 percent squeaky clean. Because people automatically believe you can be guilty of **“ Breakingviews is definitely financial journalism.”** manipulating the stock market. So you have to be completely open. You have to write your doubts of the story. (...) You have to be make it very clear to the reader what sorts of information you are talking about, how firm the information is and literally you have to tell the reader everything you know. If there’s any sense you’re holding back the information you immediately look like you are manipulating the market in some way. You might be actually doing anything bad but the perception would still be there. That means we could never be seen to have any investment of our own.

Interviewer: So you have to be very clean.

Editor: One hundred percent, squeaky clean.

Interviewer: That means you don’t own any stocks.

Editor: No. I only have debts.”

The site being discussed is in fact subject to the PCC code as these kinds of sites are operated by a national newspaper. Others are not, and as the interviewee acknowledges, this could lead to pushing the regulatory and ethical boundaries. “we abide by all the values which go with this newspaper.... Yet at some point, somebody... if (the site) sat under someone else’s umbrella, we could be abused because the technology allows you to speak to a lot of people”

Interviewer: What about new players new players such as Motley Fool, or

journalists, describing themselves as such, but existing outside the ethical and professional – and to an

“ the story can have a sort of exaggerated effect in terms of moving the prices. That brings with it huge responsibilities. Because if the story is wrong you can be moving prices falsely.

Breakingviews or some of these players. Do you think there is a different framework around them? Do you think what they do is financial journalism?

Senior Business Editor: Yeah. Breakingviews is definitely financial journalism. We routinely have someone in the office everyday looking at those websites, doing that since 1999. You know, if you see something interesting on Breakingviews, you would follow up. Companies or people concerned, you talk to them. Don't print it on the paper until its' sure. There are a lot of sources out there. You have to be very aware of some interesting quotes and what they are up to. You know.

Conclusions: Renewing the Compact?

UK Financial Journalism is at a crossroads. Over the years, it has established a range of professional practices, rules and codes that together amount to a public compact of privileges (rights of access and a range of other freedoms) which have been granted in the light of the particular function that financial journalism plays.

But due to change in the practices of journalism, and challenges to the accepted notion of who is a member of the profession, this established compact is likely to be increasingly challenged. There is a choice: either the informal institutions that police and guarantee ethical behaviour (such as the PCC and the codes enforced by individual outlets) will be shored up and law and policy will clarify to whom privileges such as source protection should be granted; or those privileges will be watered down. Standards will be compared and compete with standards of other countries and other media, and the extent to which the ethics of professional financial journalism remain the most appropriate will continue to be debated.

There is no evidence of a collapse of ethical standards or of serious levels of malpractice in financial journalism on the basis of the interviews conducted for this study. But there is a widespread sense that the traditional challenges of being a financial journalist; of not being used by your sources, of maintaining adequate scepticism, of being first without being wrong, are being redefined in the context of new technological, legal and commercial challenges. It has been argued that it is useful to understand these changes in terms of a new settlement on the level of professional ethics: in terms of redefining the rights and responsibilities of financial journalists. If a new regulatory settlement is to be agreed in the wake of the current financial crisis it will be useful not only for bankers, regulators and governments to examine their previous practices, but for journalists as well to examine their role and how it might be improved.

For some, the idea of rights and duties will be anathema. Rights alone are naturally more attractive. And there is a widespread view that the responsibility of journalists is simply to the shareholders of their employers' company and to maximise sales and revenues. From such a viewpoint, the ethical reflection in this pamphlet is pointless: there is a strong demand for disinterested, accurate financial information, and the big brands will continually strive to provide this. City Slickers and even City Page sloppiness will be dealt with – because they will ultimately hurt the bottom line of the media companies. Savvy consumers will not read/watch/believe news services that fail to police their own ethics and any slipping of standards will therefore be self correcting.

Whilst this view is certainly worth considering, there is surely more that needs to be understood about the potential for market failure in the provision of quality, disinterested financial journalism. We could hypothesise all kinds of reasons that a market alone might fail to provide the trustworthy market-relevant news that is in the public interest. There might be problems of information: it is difficult to know the value of information goods such as news until after consumption and, even in that case, the degree of accuracy or conflicts of interest are hard to gauge. There may be peculiar forms of externalities associated with the financial journalism market. In markets for financial analysis and advice, the wrong information can often be right. To put it in another way, share tips or general comment and assessment of market trends can depart from 'rational' valuation models, but at the same time, provide accurate assessments of the direction of market performance. That is particularly evident during episodes of 'irrational exuberance'. Due to the self fulfilling prophecy nature of much financial reporting and

information, investors might find that following information that is based on sound policy models leads to sub-optimal returns. This presents a new set of ethical dilemmas for journalists. Do they base their standards of excellence on judgements about where the market is going despite growing evidence that it is about to turn? How can journalists communicate these differences to their readers, especially given the cyclical nature of market crises? The evidence is that where there is a choice, they tend to go with the logic of the market and get caught up in the irrational exuberance of the market, which is a sub-optimal outcome in terms of efficient investment, and can lead to painful market corrections. The converse is of course also true; 'irrational depression' might also be exacerbated by reporting.

And whatever the theoretical potential for market failure or, indeed, for the market to provide, it is through the use of ethical codes and informal self restraint that the big brands have established their reputations for the provision of trustworthy financial news. Most of the journalists and editors interviewed for this project responded in ways that revealed that they felt a sense of responsibility that went far beyond the responsibility to serve the shareholders of their own companies. They had a strong sense that the ethics of business journalism involves much more than providing what the public demand in the short term. They also tended to agree that the difficulties they face in fulfilling that role are becoming more challenging.

As technological changes sweep through the profession of financial journalism, the compact on which it is based needs to be re-examined and questioned:

- Redefining quality, responsible journalism and the beneficial role of financial journalism. There is a new stress on the role of financial journalism in the corporate governance framework more generally and a sense that journalism could do more. However what financial journalism can do is threatened by intensified competition and squeezed revenues.
- Reassessing the closure of the profession. Who is a financial journalist? If journalists have some immunity from prosecution or a special regime that applies to them, it needs to be clearer who this applies to. Recently the Press Complaints Commission has indicated that it would be interested in providing 'on demand' regulation and accreditation to media companies that are outside the PCC's traditional press remit. It is likely that the regulatory opt outs that regulation by the PCC would provide, combined with a low level of regulatory oversight in a complaints driven system, may be attractive to those that wish to benefit from the PCC carve out from the Financial Promotion regulations.
- Learning to live with PR. In financial news as in other types of news, claims of private interest capture apply both to what news is selected for presentation ('agenda setting') and to the way in which those stories are presented. ('Framing', 'spin', or 'bias'). Is PR manipulating the news agenda to the extent that a significant proportion of news and how news is presented serves private interests of PR clients, rather than the public interest? PR professionals will argue that there is no such opposition and that we all have an interest in accurate understanding of the news, but several of the journalists interviewed argued that the battle to avoid being instrumentalised was their main challenge.
- A new regulatory settlement. If a new framework for corporate governance and financial regulation is to emerge, a small part of this will be a new settlement on the role of financial and business journalism in corporate governance. It is clear from the interview material that it will not be possible to expect more of financial and business journalists without offering them improved means to do this job. This could involve a review of the particular problems of defamation risk that business journalists face and an exploration of freedom of information in business reporting as well as clarifying the rules on source protection.

“ Most of the journalists and editors interviewed for this project responded in ways that revealed that that they felt a sense of responsibility that went far beyond the responsibility to serve the shareholders of their own companies. They had a strong sense that the ethics of business journalism involves much more than providing what the public demand in the short term.”

Appendices

List of seminar attendees (25)

Mark Bielby. Dresdner Kleinwort.
Daniel Bogler. Financial Times.
Alex Brummer, *City Editor*. Daily Mail.
Duncan Campbell-Smith. Swift Writing.
Aeron Davis. Goldsmiths College. University of London Adam Epstein.
Mishcon de Reya Solicitors.
Sophie Fitton, *Partner*. Brunswick.
Jane Fuller. Fuller Analysis.
Sandra Mattingley. Netik.
Niaz Samadzadeh, *Deputy Head of News*. CNBC Europe.
Steve Schifferes. BBC News Interactive.
Ian Shipway. Thinc Group.
Cato Stonex. THS Partners.
Sue Oake. The Newspaper Society.
Jay Patel. SPARK ventures.
Karina Robinson, *Senior Editor*. The Banker. Peter Wilson-Smith. Quiller Consultants.

List of interviewees (24)

Daniel Bogler. Financial Times.
Alex Brummer, *City Editor*. Daily Mail.
Giles Croot, *Director*. Brunswick.
Nik Deogun. Wall Street Journal.
Andrew Garfield, *Partner*. Brunswick.

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Rory Godson, *Founder and Director*. Powerscourt.
Stuart Karle, *Former Counsel*. Wall Street Journal.
Ian King, *City Editor*. Sun.
Yuan Li, *Journalist*. Wall Street Journal.
Sir Callum McCarthy, *Chairman*. FSA.
Angela Mills. European Newspaper Publishers Association.
Karl Milner.
Paul Murphy, *Editor*. FT Alphaville.
Sylvia Nasar, *Professor*. Columbia University.
Dean Starkman, *Editor and blogger*. Columbia Journalism Review.
Tim Toulmin, *Director*. PCC.
Margareta Pagano, *Business Editor*. Independent on Sunday.
Robert Peston, *Business Editor*. BBC.
Damian Reece, *Head of Business*. Telegraph.
Karina Robinson, *Senior Editor*. The Banker.
Stefaan Verhulst, *Research Director*. Markle Foundation.
John Waples, *Business Editor*. Sunday Express.
Stephen Whittle, *Chairman*. BTR, formerly Controller of Editorial Policy, BCC.
Peter Wilson-Smith, *Partner*. Quiller Consultants.
Patience Wheatcroft, *Non-executive Director*, Barclays.

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Appendix: disclosing interests of financial journalists

As shown in the table below, individual companies in some cases maintain a 'register of interest' to record journalists' disclosure of their private interests. Whilst codes of conduct do occasionally refer directly to the existence of such a register, interviews with senior editors and journalists were revealing: knowledge of these registers is patchy, even among senior journalists and the overwhelming impression created by the interviews is that, whilst some are assiduous in maintaining records and a formal procedure, most outlets keep them up to date in a somewhat ad-hoc manner. It is important to note, however, that an informal system is not tantamount to unethical practice. Many journalists claim that they 'simply know the rules' and 'instinctively know' what is ethical and what is not.

	Publication			Broadcasting		Online FJ	
	PCC	Reuters	FT	Guardian	Ofcom	BBC	BV

	DISCLOSURE OF INTEREST WHEN CONFLICTS PERCEIVED	REQUIREMENT FOR REGISTER	FORMAL REGISTER	INFORMAL REGISTER	REQUIREMENT FOR UPDATE		
Disclosure of interest when conflicts perceived	Y	Y	Y	Y	Y	Y	N/A
Requirement for register	Y	N	Y	Y	N	Y	N/A
Formal register	N/A	N	Y	N/A	N/A	Y	N/A
Informal register	N/A	Y	N	Y	N/A	N	N/A
Requirement for update	Y	Y	Y	Y	Y	Y	N/A

	OWNING SHARES OF COMPANIES THEY REPORT	REPORTING SHARES WITH SIGNIFICANT INTEREST W/T INTERNAL DISCLOSURE	DEFINITION OF SIGNIFICANT INTEREST	EXTERNAL DISCLOSURE	DISCIPLINARY ACTION WHEN CONFLICTS OCCUR		
Owning shares of companies they report	N	N	Y(X)	N	N	N	N/A
Reporting shares with significant interest w/t internal disclosure	Y(X)	Y(X)	Y(X)	Y(X)	N	Y(X)	N/A
Definition of significant interest	Y	N	N/A	N/A	N	N	N/A
External disclosure	Y	N/A	N/A	N/A	N/A	Y	N/A
Disciplinary action when conflicts occur	Y	Y	Y	N	N/A	N/A	N/A

	TRADING RESTRICTION ON INFORMATION PRIOR TO PUBLICATION	TRADING RESTRICTIONS ON SHARES REPORTED	SHORT-TERM SPECULATION				
Trading restriction on information prior to publication	Y(X)	Y(X)	Y(X)	N	N	Y(X)	N/A
Trading restrictions on shares reported	Y(X)	Y(X)	Y(X)	N	N	Y(X)	N/A
Short-term speculation	Y(X)	N/A	Y(X)	Y(X)	N	Y(X)	N/A

	INVESTMENT	RECOMMENDATION	RECO	MMENDATION	ION			
Accuracy and Fairness	Y	Y	Y	Y	Y	Y	Y	N/A
Investment advice by journalists	Y	N	N	N	N	N/A	N/A	N/A
Summaries of third-party's advice	Y	N	N	N	N	Y	Y	N/A
Guest speakers	N/A	N/A	N/A	N/A	N/A	N	Y	N/A

Table 1 Codes of Conduct in the UK: some leading examples

Y(O) = have guidance, allow such activity
 Y(X) = have guidance, forbid such activity
 N = without guidance
 Y = with guidance
 N/A = not available



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