

Enhancing Corporate Governance for Banking Organisations

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Background

- **Link with OECD principles of corporate governance**
- **Original guidance published in 1999**
- **Revised principles published in 2006**

Why focus on corporate governance?

- **Benefits to the banking industry**
- **Benefits from a supervisory perspective**

Bank corporate governance

- **Based on the OECD definition**
- **Principles function across different jurisdictions and legal systems**
- **Key elements required for appropriate checks and balances**

Principle 1

Board members should be qualified for their positions, have a clear understanding of their role in corporate governance and be able to exercise sound judgement about the affairs of the bank

- **Structure**
- **Knowledge**
- **Actions**

Principle 2

The board of directors should approve and oversee the bank's strategic objectives and corporate values that are communicated throughout the banking organisation

- 'Tone at the top'
- Strategy to promote professional behaviour and integrity
- Whistle-blowing

Principle 3

The board of directors should set and enforce clear lines of responsibility and accountability throughout the organisation

- **Clear chain of command**
- **Groups**
- **Outsourcing**

Principle 4

The board should ensure that there is appropriate oversight by senior management

- **Internal controls**
- **Implementation of corporate governance policy**

Principle 5

The board and senior management should effectively utilise the work conducted by the internal audit function, external auditors, and internal control functions

- Independent check and assurance
- Reporting lines

Principle 6

The board should ensure that compensation policies and practices are consistent with the bank's corporate culture, long-term objectives and strategy, and control environment

- **Compensation and incentives**
- **Enhancing long-term corporate value**

Principle 7

The bank should be governed in a transparent manner

- **Effective monitoring**
- **Market discipline**
- **Disclosure**

Principle 8

The board and senior management should understand the bank's operational structure, including where the bank operates in jurisdictions, or through structures, that impede transparency

- **Know your structure**
- **Identification and management of risks**

The role of banking supervisors

- **Guidance**
- **Evaluation**
- **Assessment of banks' audit and control functions**

Promoting an environment supportive of sound corporate governance

- **Board and senior management**
- **Legal environment**
- **Role of stakeholders, industry, government**

Any questions or comments?

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