



**European Bank  
for Reconstruction and Development**

# **Corporate Governance of Banks in Eurasia**

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**Basel Committee's guidance 'Enhancing Corporate Governance  
For Banking Organisations'**

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# **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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