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Dr Shane Magee
Department of Applied Finance and Actuarial Studies
Faculty of Business and Economics
Macquarie University

Associate Professor Elizabeth Sheedy
Department of Applied Finance and Actuarial Studies
Faculty of Business and Economics
Macquarie University

Associate Professor Sue Wright
Department of Applied Finance and Actuarial Studies
Faculty of Business and Economics
Macquarie University

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Shane Magee | Elizabeth Sheedy* | Sue Wright

Department of Applied Finance and Actuarial Studies
Faculty of Business and Economics
Macquarie University
North Ryde, NSW 2109
Australia

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Abstract

Five years after the banking crisis of 2008, we review progress in the area of governance reform. At the height of the crisis, broad support emerged for new governance regulations in banking that would focus more on risk management and hence the rights of depositors, debt-holders and the wider community. In 2010 the Basel Committee produced 'Principles for Enhancing Corporate Governance'. This document contains 14 principles and more than 120 specific recommendations; a significant revision from pre-crisis guidance and the benchmark for our analysis. Against this standard we examine the national codes for bank governance in Australia, Canada, China, the EU, Indonesia, Japan, Germany, Singapore, Switzerland, the UK and the US as at January 2013. We find that even in these (mainly) advanced economies, few come close to adopting the 'best-practice' standards established by the Basel Committee. We offer some possible explanations for the apparent failure to comprehensively adopt these governance regulations developed through international negotiation.

1. Introduction

Countries rely on the soundness and liquidity of the international banking system for their own national financial integrity. Over the past century, the strength of that system has been tested in times of crisis, and reformed to prevent those past crises from recurring. The banking crisis of 2007 – 2009 prompted a new industry consensus regarding the need for further reform to the governance of financial institutions (Institute of International Finance, 2008). New, more detailed principles for enhancing the governance of financial institutions were subsequently released by the Basel Committee in 2010 (hereafter BCBS, 2010). Five years on from the crisis we review the progress that has been made at the national level towards adopting these reforms. Our specific research question is: to what extent do national governance codes for financial institutions now reflect best practice, as defined by BCBS (2010)?

We find that thorough adoption of BCBS (2010) is rare in any of the countries that we have examined, and no country has yet completely adopted the principles into its own code. The European Union (EU) has the highest scores for its compliance with BCBS, followed by Singapore and Canada. Australia ranks about halfway down the list of eleven countries. The areas that have been focused on by national governments are audit and internal controls, disclosure and transparency, and compensation aligned to prudent risk-taking. Those that have had the least attention are 'understand your structure', 'know your structure', group structure, identifying and monitoring risk, and robust internal communications. We present several hypotheses that could explain the lack of progress in the reform of bank governance.

In analysing country compliance with BCBS (2010), we are making the implicit assumptions that better governance will prevent failures in the banking system; that more guidance will improve governance; and that such governance would not be forthcoming without that regulation. These assumptions have some support in the literature, and are implicit in the recommendations of BCBS (2010) and industry leaders. Schleifer and Vishny (1997, p. 738) present the counter argument, against regulation, which is that competition between organisations for external capital should force firms to adopt practices that minimise their costs, including corporate governance.

Banks, like all large corporations with diffuse ownership, suffer from agency problems that may be mitigated through governance mechanisms. Financial institutions are, however, unlike other corporations due to the potential for externalities in the event of failure (systemic risk and taxpayer-funded support) and the associated possibility of moral hazard. The incentive conflicts that exist between shareholders, debt/deposit holders and the wider community mean that it is extremely unlikely that firms, of their own volition, will unilaterally take the actions that are needed to restrain excessive risk-taking and risk-shifting. Indeed, Beltratti and Stulz (2012) show that banks with the most shareholder-friendly governance performed worst during the crisis of 2008. We therefore argue that regulation is necessary to reform governance systems in a manner that will ultimately weaken the rights of shareholders and strengthen those of other stakeholder groups.

The rest of this paper is organised as follows. Section 2 discusses the prior literature on the implementation of the Basel Accords. Section 3 describes the method used in the analysis. In Section 4, we present the results of our investigation in terms of country scores for individual and aggregate compliance with the 14 core principles of BCBS (2010). Section 5 discusses the results including possible explanations, and Section 6 concludes.

2. Prior literature

Our paper assumes the effectiveness of bank regulation; what then is the evidence to support the proposition that more regulation of governance is effective? We are not aware of any research that examines this issue in the specific context of banks, but a growing literature is emerging with regard to the effect of the Sarbanes-Oxley (SOX) Act (2002) on corporations in general. SOX was introduced in the US as a response to corporate scandals including Enron, and is considered to be one of the most significant pieces of legislation ever enacted to address deficiencies of corporate governance. Banerjee, Humphery-Jenner and Nanda (2013) show that SOX has been effective in moderating the risk-taking tendencies of overconfident CEOs. Arping and Sautner (2013) find that SOX had a positive effect on corporate disclosure quality. Ashbaugh-Skaife, Collins, Kinney, and Lafond (2009) show that changes in internal control quality resulting from SOX reduce firm risk. These papers have drawn the data used in their analyses from well-recognised databases, mitigating any potential biases in the measures used to evaluate SOX.

In the banking regulation literature, prior research has examined the impact of regulation generally on bank risk. In order to measure regulation, the majority of researchers employ the World Bank Survey of Bank Regulation and Supervision Around the World, which has been conducted regularly since 1998-1999. The survey questions number in the hundreds and examine many issues including the regulation of capital, depositor protection, liquidity, market entry, asset classification provisioning and write-offs, external audit and banking activities. Only in the most recent version of the survey (conducted in 2011/12) is regulation of governance explored and this section contains only eight questions. We note that the World Bank Survey is sent to supervisory agencies in each of 143 countries as at 2011. The survey method therefore relies on the candour of these agencies who self-report on the supervisory environment in their own country.

Most of the researchers examining the impact of regulation on bank risk using the World Bank data have found support for regulation, or at least certain forms of regulation. Barth, Caprio Jr and Levine (2004) use World Bank Survey data to support greater disclosure but failed to find support for more stringent capital requirements and activity restrictions. Pasiouras, Gaganis and Zopounidis (2006) find that capital requirements, restrictions on bank activities, official disciplinary power, *inter alia*, have a significant effect on bank ratings. Laeven and Levine (2009) find that capital regulations and activity restrictions can reduce risk, but this depends on the ownership structure of the bank. Beltratti and Stulz (2012) find that stricter capital requirements and more independent supervision resulted in better performance during the 2008 crisis. Klomp and de Haan (2012) show that many measures of bank regulation and supervision have a significant effect on high-risk banks. Most recently, Cihak, Demirguc-Kunt, Peria and Mohseni-Cheraghlou (2012) find significant differences in regulation and supervision between crisis and non-crisis countries, including that crisis-hit countries were more than twice as likely as non-crisis countries to introduce regulation or guidance in relation to remuneration.

Another potential source of data on regulatory effectiveness is the Financial Sector Assessment program (FSAP). Since 1999 the IMF and the World Bank have evaluated how countries have complied with the Basel Core Principles for Effective Bank Supervision (BCPs). Unfortunately the BCP scores are not publicly available but World Bank researchers have analysed their relationship to risk. Demirguc-Kunt and Detragiache (2011) find that BCP compliance is not robustly associated with measures of bank risk. This result could be explained by the fact that assessments of the effectiveness of supervision are relatively subjective, as they go well beyond the simple existence of national codes.

In relation to our specific research question on the adoption of governance regulations, prior literature is very limited. This is hardly surprising for two reasons: the focus on governance regulation is a relatively new phenomenon that is only beginning to be reflected in the extant literature, and the regulations have changed since the time of the most recent World Bank survey. A key finding of Cihak *et. al.* (2012), using the World Bank data, is that governance of regulation has been an area of focus since the financial crisis. But more detailed analysis beyond that of the eight governance regulation questions on the World Bank survey is needed. The date of the most recent Basel Committee guidance on governance is October 2010. Many countries may not have had the opportunity to implement new governance regulations when the World Bank survey commenced in 2011, and so an up-to-date analysis that considers responses to this guidance is needed.

The research most relevant to this paper is the Financial Stability Board (FSB)'s 'Thematic Review on Risk Governance' released in 2013. This analyses both self-reported national authorities' oversight of risk governance practices and self-reported firms' risk governance practices. The FSB note improvements in regulatory and supervisory oversight of risk governance at financial institutions since the financial crisis. However there are differences in progress across various regions, with firms in more advanced economies having more desirable risk governance practices. Interestingly, many of the best risk practices at firms that they surveyed were more advanced than the relevant national guidance.

To summarise, there is evidence in the literature that greater regulation of banks has been helpful in reducing their risk. This conclusion would support any research agenda to assess progress in reforming regulations in relation to bank governance. However, our research question is also motivated by the timing of our investigation, five years after the most recent banking crisis and three years after the revisions to the Basel Code. It allows us to determine whether national regulators have followed through on their rhetorical responses to that banking crisis and which led to the more detailed governance principles of BCBS (2010). To the extent that national regulators have not adopted BCBS (2010), then further actions at the international level may be needed to prevent the next banking crisis.

3. Method

We evaluated the national governance codes as at January 2013 for ten countries and the EU against each of the 14 governance principles in BCBS (2010). We began our selection of countries by considering all countries in the G20. We then restricted our attention to those countries from the G20 with major financial institutions under their jurisdiction. We also included Switzerland and Singapore in the study. Switzerland was included because it is a major financial centre in Europe and experienced problems during the financial crisis of 2007-2009. We included Singapore because it is a major financial centre within Asia.

In 2011, the European Banking Authority published Guidelines on Internal Governance, with which 27 countries within the EU have indicated either their compliance or their intention to comply[1]. Although many of these countries also have national guidelines and regulations, much of that documentation is not in English. The national guidelines and regulatory documents for both Germany and the United Kingdom (UK) are available in English. We analysed these two countries separately, which allows us to compare and contrast their national governance codes to those of the EU.

The study covers countries from Asia, Europe, North America, and Australia. The list of countries includes two less developed countries (China and Indonesia), countries that experienced problems during the financial crisis (such as Germany, Switzerland, the United Kingdom and the United States) and those that did not (such as Australia, Canada and China). The list of countries included in the study can be found in Appendix 1.

For each country in the study, we evaluated local guidance and regulatory documents against each of the 14 governance principles in BCBS (2010). For each governance principle we assigned a rating from zero to three for each country according to the criteria in Table 1. When reviewing each country, we only considered what is documented in its national governance codes. This extensive review of each country's guidance and regulatory documents was carried out by a research assistant with a background in law and independently reviewed by at least one of the authors. Cross-checking was also conducted to ensure consistency of ratings across the three authors. The list of the guidance and regulatory documents reviewed for each country in the study can be found in Appendix 1.

Table 1: Rating Criteria

The 14 governance principles in BCBS (2010) against each county's guidance and regulatory documents using the following criteria:

Rating	Criteria
0	Consider there to be nothing explicit or capable of reasonable implication within the national regulatory framework that deals with the particular BCBS (2010) governance principle.
1	May be impliedly dealt with through a particular provision or group of provisions, despite the wording not being of a substantially similar form and substance or the national regulation does not deal with all components of the particular BCBS (2010) governance principle.
2	Substantially similar wording to and dealing with the particular governance principle parallel to the description provided in BCBS (2010).
3	Extensive dealing with the particular BCBS (2010) governance principle.

We acknowledge that the analysis of guidance and regulatory documents does not fully capture all aspects of the regulation of governance. The role of supervision to enforce rules-based regulations or to assist financial institutions to adopt principles-based regulations is arguably a vital element of the regulatory framework. Assessing the quality of supervision is, however, a complex matter and beyond the scope of this study.

[1] See Appendix 2

In the final stage of our research, we provided each of the prudential regulators with a draft of the paper for comment. The objective was to increase the robustness of our analysis, by minimising the possibility that we had missed or misinterpreted relevant documents. The responses of those regulators who replied (Australia, Canada, Japan, Singapore and the US) were assessed and, where relevant, incorporated into the current version of the paper.

4. Results

4.1. More detailed guidance from Basel Committee over time.

Over time the Basel Committee has produced three increasingly detailed documents providing guidance on the governance of banking organisations. The first, BCBS (1999) consisted of only 14 pages and was produced in September 1999. It was developed in the context of the Asian banking crisis of the late 1990s and drew from the OECD governance principles[2] produced also in 1999. A major revision was produced by the Basel Committee in 2006 after the 2004 revision of the OECD's governance principles. This 2006 guidance consisted of 30 pages with eight principles.

Only four years later it was found necessary to produce a greatly expanded guidance document to address 'corporate governance failures and lapses' (BCBS, 2010, paragraph [6]) that had occurred in the intervening years. Produced after a consultative process, BCBS (2010) consists of 42 pages with fourteen principles. Within those fourteen principles, there are 129 specific recommendations, as enumerated in Appendix 3. The major changes are as follows:

a) Group Structures. BCBS (2006) touched on the specific issues relating to the governance of subsidiaries and parent companies in a group structure (see paragraphs [33-35]). In BCBS (2010) a new principle is introduced thereby further highlighting this problem.
b) Risk Management and Internal Controls. Surprisingly little is said about the risk management and internal control functions in BCBS (2006), apart from stating the rather obvious point that having independent risk and control functions is desirable. For example, the term Chief Risk Officer is never mentioned and there is no discussion of the resourcing of these crucial functions. BCBS (2010) addresses this lack by introducing three new principles that deal with the risk management function, the role of the Chief Risk Officer and the internal control function (in Principle 6), risk identification and monitoring (in Principle 7) and robust internal communication (in Principle 8). A detailed listing of specific recommendations may be found in Appendix 3.
c) Understand Your Structure. BCBS (2006) includes Principle 8 that requires Directors and senior executives to understand their operational structure. Here reference is made to opaque structures that may impede transparency. In BCBS (2010) this is expanded to two separate principles. A new Principle 13 addresses far more thoroughly the issues of special-purpose or related structures that impede transparency. Directors and senior executives are required to understand 'the purpose, structure and unique risks of the operations' and ensure that any special risks are mitigated.

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[2] For information on OECD governance principles, see www.oecd.org/corporate/oecdprinciplesofcorporategovernance.htm

d) Board Oversight. The fact that responsibility rests with Directors is a theme of all the Basel Committee documents relating to governance. Over time, the guidance for Directors has become broader, more detailed and stated in stronger terms. For example, much more detailed guidance is now given on issues such as the qualifications for Directors, training programs for Directors, oversight of senior management and the framework for governing the board's own work practices.
e) Compensation. While this issue is addressed in BCBS (2006), the 2010 document goes much further. It recommends adoption of the Financial Stability Board's Principles for Sound Compensation Practices that provides specific guidance on issues such as deferral arrangements for variable remuneration.

Table 2 below compares the wording of the high-level principles in BCBS (2006) against those of BCBS (2010).

Table 2: More Governance Principles With More Detail

We extract the high-level descriptions of each numbered principle from the 2006 and 2010 Basel Committee documents on the governance of banking organisations.

	BCBS (2006)	**BCBS (2010)**
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 judgment about the affairs of the bank.	The board has overall responsibility for the bank, including approving and overseeing the implementation of the banks strategic objectives, risk strategy, corporate governance and corporate values. The board is also responsible for providing oversight of senior management.
2	The board of directors should approve and oversee the bank's strategic objectives and corporate values that are communicated throughout the banking organisation.	Board members should be and remain qualified, including through training, for their positions. They should have a clear understanding of their role in corporate governance and be able to exercise sound and objective judgment about the affairs of the bank.
3	The board of directors should set and enforce clear lines of responsibility and accountability throughout the organisation.	The board should define appropriate governance practices for its own work and have in place the means to ensure that such practices are followed and periodically reviewed for ongoing improvement.
4	The board should ensure that there is appropriate oversight by senior management consistent with board policy.	In a group structure, the board of the parent company has the overall responsibility for adequate corporate governance across the group and ensuring that there are governance policies and mechanisms appropriate to the structure, business and risks of the group and its entities.
5	The board and senior management should effectively utilise the work conducted by the internal audit function, external auditors, and internal control functions.	Under the direction of the board, senior management should ensure that the bank's activities are consistent with the business strategy, risk tolerance/appetite and policies approved by the board.
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.	Banks should have an effective internal controls system and a risk management function (including a chief risk officer or equivalent) with sufficient authority, stature, independence, resources and access to the board.
7	The bank should be governed in a transparent manner.	Risks should be identified and monitored on an ongoing firm-wide and individual entity basis, and the sophistication of the bank's risk management and internal control infrastructures should keep pace with

		any changes to the bank's risk profile (including its growth), and to the external risk landscape.
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 (i.e. "know-your-structure").	Effective risk management requires robust internal communication within the bank about risk, both across the organisation and through reporting to the board and senior management.
9		The board and senior management should effectively utilise the work conducted by internal audit functions, external auditors and internal control functions.
10		The board should actively oversee the compensation system's design and operation, and should monitor and review the compensation system to ensure that it operates as intended.
11		An employee's compensation should be effectively aligned with prudent risk taking: compensation should be adjusted for all types of risk; compensation outcomes should be symmetric with risk outcomes; compensation payout schedules should be sensitive to the time horizon of risks; and the mix of cash, equity and other forms of compensation should be consistent with risk alignment.
12		The board and senior management should know and understand the bank's operational structure and the risks that it poses (ie "know-your-structure").
13		Where a bank operates through special-purpose or related structures or in jurisdictions that impede transparency or do not meet international banking standards, its board and senior management should understand the purpose, structure and unique risks of these operations. They should also seek to mitigate the risks identified (i.e. "understand-your-structure").
14		The governance of the bank should be adequately transparent to its shareholders, depositors, other relevant stakeholders and market participants.

4.2. Are the Basel Committee guidelines reflected in national codes?

In Appendix 3 we present our analysis of the fourteen principles in turn and by country. Principle 1, for example, includes fourteen specific recommendations. For each recommendation we assigned a rating from zero to three (as explained above) for each country. The median rating across countries is shown for each recommendation.

We note some specific recommendations for which coverage appears surprisingly low. In all the examples listed here the median rating across countries is either zero or one. Paragraph references from BCBS (2010) are shown in square brackets.

1.7 Timely elevation of problems to higher levels [28];

1.12 The board should …ensure that senior management's knowledge and expertise remain appropriate given the nature of the business and the bank's risk profile [31];

2.2 The board should have adequate knowledge and experience relevant to each of the material financial activities the bank intends to pursue in order to enable effective governance and oversight [36];

3.12 Risk Committee should receive formal and informal communication from the bank's risk management function and CRO and should have access to external expert advice [3.12];

6.7 The CRO responsibility should be distinct from other executive functions and there should be no 'dual hatting' [71];

6.9 The CRO should have sufficient stature, authority and seniority [73];

6.16 Risk management personnel should possess sufficient experience and qualifications, including market and product knowledge as well as mastery of risk disciplines [79]; and

13.1 The board should evaluate proposed activities and transactions in operating in jurisdictions that are not fully transparent or do not meet international banking standards or creating complex or non-transparent structures that may pose financial, legal, reputational or other risks, and carefully consider, prior to approval, how it will implement effective board and/or managerial oversight [120].

In a number of the examples listed above the low level of compliance is surprising as these recommendations relate to issues that have been discussed in a number of the reports analyzing the financial crisis of 2007-2009. One such example is Institute of International Finance (2008) which makes recommendations consistent with the above.

In order to capture the overall extent of compliance with BCBS (2010) we then produced a rating from 1-5 (where five represents comprehensive coverage across all recommendations and one represents no coverage) for each country for each of the fourteen principles. We apply an equal weighting for each sub-principle. This information is presented in Table 3. The analysis of national governance codes relative to BCBS (2010) reveals that no country has comprehensive coverage as at January 2013.

It is evident that some of the principles are addressed more comprehensively than others. Taking a simple average across all the countries we find that the least thoroughly treated are (in order):

- Understand your structure (having the least coverage)
- Know your structure
- Group structure
- Identifying and monitoring risk
- Robust internal communication
- Internal control and Risk management function, CRO
- Board responsibility and oversight

We next considered the relative strength of national governance codes for banking organisations. We ranked countries in two ways, recognising that rankings may vary depending on the weightings assigned to each governance principle. Firstly we took a simple average of all fourteen principles. Secondly we took an average across only the principles that the Basel Committee believes to be 'key' (see paragraph 6 of BCBS 2010) which allowed us to exclude only principles 4 and 9. Again we use an equal weighting approach. Results are presented in Table 4.

Table 3: Coverage of Basel Governance Principles By Country

We evaluate local guidance/regulations against each of 14 governance principles in BCBS (2010). Within each principle there are a number of specific recommendations. Ratings are as follows: 5 = all recommendations covered, 4 = most recommendations covered (generally >60%), 3 = moderate coverage of recommendations (generally 30-60%), 2 = slight coverage (generally <30%) and 1 = no coverage.

	Basel Principle (number of specific recommendations)	**Australia**	**Canada**	**China**	**EU**	**Germany**	**Japan**	**Indonesia**	**UK**	**US**	**Singapore**	**Switzerland**	**Average**
1	Board responsibility and oversight (14)	3	3	3	4	2	3	3	3	3	4	3	**3.1**
2	Board qualifications/capacity (6)	4	4	2	5	3	2	4	3	2	4	3	**3.3**
3	Board practices, committees, conflicts (17)	4	4	3	4	2	2	3	4	3	4	3	**3.3**
4	Group structure (parent vs subsidiary) (7)	4	2	1	5	2	2	1	3	1	1	1	**1.9**
5	Senior management responsibility (3)	4	5	5	1	2	4	2	4	4	4	4	**3.5**
6	Internal control and Risk Mgt Function, CRO (16)	2	3	3	4	3	3	2	4	2	4	4	**3.1**
7	Identifying and monitoring risk (quality) (12)	2	2	2	4	3	3	2	3	3	3	3	**2.7**
8	Robust internal communication (5)	2	3	2	4	3	3	3	3	3	2	3	**2.8**
9	Audit and internal controls (5)	5	5	3	2	4	4	4	5	4	5	4	**4.1**
10	Board oversight of compensation (2)	4	5	4	5	1	2	1	2	4	5	3	**3.3**
11	Compensation aligned to prudent risk-taking (14)	2	5	3	5	2	2	2	4	3	5	3	**3.3**
12	Know your structure (opaque/complex structures) (4)	1	2	1	5	2	3	1	1	1	2	1	**1.8**

13	Understand your structure (special vehicles) (3)	1	1	1	5	1	1	1	1	1	1	1	**1.4**
14	Disclosure and transparency (14)	3	3	4	4	3	3	4	4	4	4	4	**3.6**
	Average rating	**2.9**	**3.4**	**2.6**	**4.1**	**2.4**	**2.6**	**2.4**	**3.1**	**2.7**	**3.4**	**2.9**	

The EU is the only jurisdiction with a rating above four; this applies regardless of the ranking methodology. Principles 5 and 9 stand out as the only areas of weakness for the EU in an otherwise extremely comprehensive coverage of governance principles.

The next group of three countries (Singapore, Canada and the UK) all have ratings between three and four representing at least moderate coverage across all principles. The rankings are the same regardless of the methodology. Note that this group includes two countries that weathered the financial crisis well and one that did not (i.e. the UK).

Other bodies have produced findings consistent with our own. For example, FSB (2012) finds that national regulators need to strengthen their guidance with regard to governance (recommendation 1 at page 4). The IMF's Financial Supervision Assessment Program (FSAP) also provides analysis of supervision programs in many countries. Recent reports[3] have recommended more guidance in relation to enterprise risk management. Finally, World Bank (2012) also finds gaps in the area of bank governance (see Section 6).

Table 4: Country Rankings

We evaluate local guidance/regulations against each of 14 governance principles in BCBS (2010) and a score is allocated for each (see Table 2). An average score is calculated for each country across all 14 principles or the 12 key principles. Higher scores indicate greater coverage in local regulations/guidance documents. Countries are then ranked from highest to lowest.

Ranking	Average of all 14 Principles (Country Score)	Average of 'Key' Principles (Country Score)	When Banking Governance Guidance Last Updated
1	EU (4.1)	EU (4.2)	Sep 2011
2	Singapore (3.4)	Singapore (3.5)	Dec 2010
3	Canada (3.4)	Canada (3.3)	Jan 2013
4	UK (3.1)	UK (3.0)	Dec 2012
5	= Australia, Switzerland (2.9)	Switzerland (2.9)	Switzerland Jan 2009
6		= US, China (2.8)	US July 2012 China 2011
7	US (2.7)		
8	= China, Japan (2.6)	Australia (2.7)	Jan 2013
9		Japan (2.6)	Sep 2010

[3] See for example IMF 12/307 on Australia, recommendation 7. www.imf.org/external/NP/fsap/fsap.aspx

10	= Germany, Indonesia (2.4)	Indonesia (2.3)	2006
11		Germany (2.3)	Nov 2010

We note that seven countries have scores below three, including the two less developed countries (China and Indonesia). Once again, this group includes countries that experienced problems during the crisis (such as Switzerland and the US) as well as those that did not (Australia, China).

The last column of Table 4 highlights the date of the most recent update of national governance codes at the time of our analysis. With the exception of Indonesia, all countries had updated their guidance on governance since the financial crisis, and most had been updated since BCBS (2010) was released. We note that Singapore has updated its guidance since the date of our analysis and the US has indicated that they are developing a corporate governance handbook.

With regard to Australia we note the relatively poor compliance with the principles relating to risk management (i.e. Principles 6-8). At the time of writing, it is expected that a new set of risk management standards will be released for consultation, which would lead to an increase in these Australian ratings in due course.

The case of Germany also warrants special mention. At the website of the European Banking Authority (www.eba.europa.eu) we find a 'Confirmation of Compliance' table referring to GL44 Internal Governance standards. According to this table, Germany (along with many other European nations) intends to comply with these European governance standards. Once implemented, this would place Germany at the same level as the EU itself in terms of compliance with governance standards.

5. Discussion of Results

The previous section documents the slow progress in disseminating comprehensive standards for effective governance of banking organisations. Despite the fact that almost five years have elapsed since the pivotal collapse of Lehman Brothers and two years have elapsed since the Basel Committee produced its revised principles for enhanced governance, few countries have introduced internal governance standards that come close to the Basel Committee standard. This is true even for some developed countries and despite the enthusiasm for governance reform at the height of the banking crisis in 2009. What explains this apparent lack of progress? We present a number of possible explanations.

***a) National regulators disagree with Basel Committee approach*.** The lack of progress could be explained by lack of support from national banking supervisors for the Basel Committee recommendations, either in general or for particular principles. However, this seems unlikely given the consistency of the principles in BCBS (2010) with the findings of senior supervisors at the height of the crisis (see Senior Supervisors Group, 2008).

We note that BCBS (2010) went through a consultation process before it was released. The submissions made to the Basel Committee are publicly available[4] and provide no hint of any major concerns from the industry (although some recommendations are made for changes at the margins). The working group on corporate governance responsible for BCBS (2010) had representatives from supervisors in Belgium, China, France, Germany, Italy, Japan, Luxembourg, Netherlands, Russian Federation, Saudi Arabia, Spain, Sweden, Switzerland, UK, US and EU as well as the OECD, the World Bank and the Financial Stability Institute. At the very least we can say that many national supervisors had a say in the development of the governance principles. We find no evidence to suggest that national supervisors disagree with the direction of BCBS (2010).

We did, however, encounter some concerns with regard to the highly prescriptive nature of BCBS (2010). Principles-based regulators[5] such as the Australian Prudential Regulatory Authority (APRA) and Office for the Supervision of Financial Institutions Canada (OSFI) tend to avoid detailed and prescriptive guidance, arguing that more rigorous and effective supervision can be achieved without it. By setting down principles only, the supervisor avoids a 'checklist' approach that may foster gaming of regulations whereby banks appear to be compliant but in fact lack any genuine commitment to regulatory objectives. The success of the principles-based approach relies on strong political support for the prudential supervisor and a supervisory approach that is 'intrusive, sceptical, proactive, comprehensive, adaptive and conclusive' (Vinals and Fleichter, 2010). We are mindful of this attitude towards regulations as we interpret our findings. However we note that a preference for a principles-based approach over a rules-based approach does not fully explain the lack of progress towards full adoption of Basel Committee recommendations. Australia and Canada were ranked in the top half of the countries we investigated for the consistency of their national regulations with Basel Committee principles.

A variation on this explanation for lack of progress towards full implementation of the Basel Committee principles is that national regulators have had other work of higher priority, and time and resources have not been available for governance issues. This is in itself a statement about the relative priority given to different aspects of the reform agenda. Again, this could be connected to the point that issues of culture and governance are uncomfortable territory for many supervisors compared with the more familiar ground of capital adequacy and liquidity. Indeed, statements of the Basel Committee itself seem to suggest that governance has slipped down the agenda over the last four years.

BCBS (2009), produced in the immediate aftermath of the crisis, is a statement of intent explaining the program of reform to replace Basel II. In this document risk governance is front and centre with multiple pages devoted to governance related issues such as the need for enhanced risk oversight. By contrast, when the final Basel III program was announced in BCBS (2011), governance was conspicuously absent, with the word mentioned only once in the introduction. The fact that the principles for enhanced governance are contained in a separate document (i.e. BCBS, 2010) may create the impression that governance is not a core part of the Basel III reforms.

[4] See www.bis.org/publ/bcbs168/cacomments.htm

[5] The supervisory approach of APRA is explained in APRA (2010); the approach of OSFI was established during private communication in September 2013.

This argument is weakened, however, by the fact that most countries in our study have updated their banking governance codes since the financial crisis. This suggests that at least some resources have been available, although arguably not to the same degree as other elements of the Basel III reforms.

b) The principles are too challenging to measure and to monitor. While it is difficult to argue with the thrust of the Basel Committee governance recommendations, some may question their efficacy. Simply promulgating a set of principles does not necessarily change behaviour and supervisory guidance without enforcement may have little impact.

Many aspects of governance are subjective in nature, possibly causing prudential supervisors to question their own ability to provide adequate supervision. For example, BCBS (2010) exhorts Directors to take the lead in creating a constructive risk culture that, for example, discourages the taking of excessive risks [27] and encourages frank discussion of problems [28]. Yet there is currently no clear method for objectively measuring risk culture nor is there a clear understanding in the literature of how to promote such a culture. BCBS (2010) highlights the need for adequate resourcing of the risk management function [78] and for the Directors and senior executives to have appropriate qualifications. Once again, there is no clear understanding of how to determine the adequacy of resourcing and qualifications. How then can prudential supervisors monitor and critique these elements?

The challenges of supervising governance standards are clear, especially when compared with the more objective issues that prudential supervisors have traditionally focussed on (such as capital adequacy and liquidity ratios). Nevertheless, it is difficult to believe that establishing a national code of governance principles can do any damage. For those Directors and senior executives making a genuine attempt to improve the governance of their organisations, a clear set of guiding principles can only provide direction and support. In boardroom debates, clear principles will provide a framework for discussion even if they are aspirational to some degree. Without national governance principles there may be justification to argue that national supervisors do not see governance as a priority.

c) Behavioural and Political Explanations A third set of explanations for the apparent lack of progress documented in this paper falls outside the usual realms of economic analysis. There may be behavioural factors influencing the responses of national regulators, and there may be other political considerations and complications that have affected or even frustrated the implementation of international agreements such as BCBS (2010).

National regulators may be overconfident in their own ability and that of their national institutions. While few would argue against the need for governance reform in the broad, it is often the case that people believe the greatest problems exist 'elsewhere' or with other people. Humans are often over-confident of their own abilities or in the characteristics of their home institutions, sometimes through a sense of loyalty or patriotism. Kahneman (2011, Chapter 24) discusses the pervasive optimism bias, the illusion of control and the over-confidence bias, all of which appear relevant to this explanation. Presumably national supervisors are not immune from these behavioural biases, which would potentially cause them to under-estimate the need for governance reform in their home country, or to see it as a low priority.

One factor that might contribute to an overconfidence effect on the part of supervisors is known in the literature as "regulatory capture", which in this situation could be described as the acquisition (or capture) by banks of the regulations that are designed to discipline them, so that those regulations operate primarily for their own benefit (based on Stigler, 1971). Such an effect would be more likely when the number of (powerful) banks is smaller, and when the effect of the regulation falls heavily on banks and only marginally benefits voters. This portrayal of the politics of regulation and bank supervision may be relevant in some jurisdictions.

Domestic political imperatives may have frustrated attempts to implement local governance regulations in some countries. At the national level, there are inherent conflicts of interest relating to governments in their oversight of the banking system, as clearly explained by Calomiris and Haber (forthcoming). Calomiris and Haber observe that banking systems around the world continue to experience banking crises and instability, and continue to adopt practices that exacerbate economic cycles. They examine the evolution of the rules of the banking game in a number of countries, and find that although different rules and regulations have emerged in different countries, similar underlying conflicts of interests in respect to setting those rules have faced all governments. In terms of the adoption of international agreements about banking, their work is consistent with national banking regulations being strongly influenced by political coalitions that support the government.

Another political influence on compliance with international agreements by national governments to consider is explained by Putnam's theory of two-level games, first proposed in 1988. This theory conceives of international negotiations as a two-level game for sovereign and democratic decision-makers (Putnam, 1988, p. 434). At the international level, national governments must balance domestic pressures to adopt favourable policies with the need for constructive coalitions at the international level, which may necessitate the adoption of less favourable policies. In the instance described in this paper, it may be the case that there is insufficient pressure at the international level to over-ride domestic considerations.

6. Conclusion

The financial crisis of 2007-2009 highlighted the need for further reforms to the governance of financial institutions, which were delivered in 2010 when the Basel Committee released BCBS (2010). In this paper, we seek to inform the ongoing process directed at reform of the governance of financial institutions by examining the extent to which the national governance codes for financial institutions now reflect best practice, as defined by BCBS (2010). Specifically, we analyse the national governance codes as at January 2013 of 10 countries and the EU against each of the 14 core governance principles in BCBS (2010). This is a timely investigation of this question, based on independent and rigorous analysis rather than self-reported information from national regulators.

We find that thorough adoption of the 14 principles in BCBS (2010) is rare in any of the countries that we have examined and not one country has adopted all of the principles into its own national governance code. The areas in which national regulators have made reforms to their governance codes are in audit and internal controls, disclosure and transparency, and compensation aligned to prudent risk-taking. The areas that have received the least attention by national regulators are understand your structure, know your structure, corporate structure, the identification and monitoring of risk, and robust internal communications.

We acknowledge that analysis of codes and regulatory documents does not capture all aspects of a regulatory framework, and that strength of supervision may be a substitute, at least in part, for apparent gaps or weaknesses in codes and regulations. We also acknowledge that despite our extensive search for documents related to governance of banking organisations, it is possible that we have missed some or that we have misinterpreted those that we have. In the case of non-English speaking countries it is possible that some concepts have been lost in the translations at our disposal. To mitigate this possibility, we consulted with national supervisors for feedback on our analysis and evidence or further information that we have not previously considered or that we may have misunderstood. Such feedback that we have received has been incorporated into our analysis and this paper.

Prima facie, our findings suggest that in spite of the progress made by national regulators in adopting the best practice governance principles established by the Basel Committee, more complete adoption is needed in many countries, particularly in the areas of operational structure and the identification and monitoring of risk. We have identified several potential reasons for this selective adoption of the Basel Committee principles, including a preference for a more principles-based approach, perceived difficulties enforcing the governance principles, overconfidence by regulators in their own abilities or in the characteristics of their home institutions, and domestic political considerations. Whatever the reasons, we strongly encourage national regulators to continue to reform their national governance guidance in line with best practice so that another financial crisis can be avoided.

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Appendix 1: Countries included in the study and documents reviewed

Country	Documents Reviewed
Australia	Australian Prudential Regulation Authority Prudential Standards Australian Securities Exchange Corporate Governance Principles and Recommendations 2010 Corporations Act 2001 Banking Regulations 1996 Financial Sector Shareholding Act 1998
Canada	Bank Act 1991 Canada Business Corporations Act 1985 Office of the Superintendent of Financial Institutions Canada Guidelines
China	China Banking Regulatory Commission Guidelines China Securities Regulatory Commission Code of Corporate Governance for Listed Companies in China 2001
EU	European Banking Authority Guidelines on Internal Governance 2011
Germany	Banking Act 2009 Government Commission German Corporate Governance Code 2012 Federal Financial Supervisory Authority Minimum Requirements for Risk Management Federal Financial Supervisory Authority Circulars Stock Corporation Act 1965
Indonesia	Bank Indonesia Regulations Indonesia's Code of Good Corporate Governance 2006
Japan	Companies Act 2006 Banking Act 2006 Financial Services Agency Inspection Manual for Deposit-Taking Institutions 2010 Financial Services Agency Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc 2012

	Tokyo Stock Exchange Principles of Corporate Governance for Listed Companies 2009
Singapore	Companies Act 1967 Monetary Authority of Singapore Code of Corporate Governance 2012 Monetary Authority of Singapore Guidelines
Switzerland	Federal Act on the Amendment of the Swiss Civil Code 1911 Financial Market Supervisory Authority Circulars economiesuisse Swiss Code of Best Practice for Corporate Governance 2007
UK	Companies Act 2006 Financial Services Authority Handbook The UK Corporate Governance Code 2012
US	Board of Governors of the Federal Reserve System Bank Holding Company Supervision Manual 2012 Board of Governors of the Federal Reserve System Supervision and Regulation Letters NASDAQ Stock Exchange Listing Rules New York Stock Exchange Listed Company Manual Sarbanne Oxley Act of 2002 Office of the Comptroller of the Currency The Director's Book 2010 Securities and Exchange Commission Code of Federal Regulations 2013

Appendix 2: European Union countries that comply or intend to comply with the European Banking Authority Guidelines on Internal Governance 2011[6]

Belgium	Luxembourg
Bulgaria	Hungary
Czech Republic	Malta
Denmark	Netherlands
Germany	Austria
Estonia	Poland
Ireland	Portugal
Greece	Slovenia
Spain	Slovakia
France	Finland
Italy	Sweden
Cyprus	UK
Latvia	Norway
Lithuania	

[6] See http://www.eba.europa.eu/News--Communications/Year/2011/EBA-published-compliance-table-regarding-Guideline.aspx.

Appendix 3

Ratings: 0 = No Discussion, 1 = Partially Compliant, 2 = Substantially Compliant, 3 = Thoroughly Compliant

Basel Principles Paragraph references in []	**Australia**	**Canada**	**China**	**EU**	**Indonesia**	**Japan**	**Germany**	**Singapore**	**Switzerland**	**UK**	**US**	**Median**
A. Board Practices												
Principle 1: The board has overall responsibility for the bank, including approving and overseeing the implementation of the bank's strategic objectives, risk strategy, corporate governance and corporate values. The board is also responsible for providing oversight of senior management.												
1.1 - The board should...approve and monitor the overall business strategy, taking into account the bank's long-term financial interests, its exposure to risk, and its ability to manage risk effectively: at [22].	1	3	3	3	2	2	2	3	1	3	2	2
1.2 - The board should take into account the legitimate interests of shareholders, depositors and other relevant stakeholders. It should also ensure that the bank maintains an effective relationship with its supervisors: at [23]	3	3	3	3	1	2	1	2	1	1	1	2
1.3 - Duty of care: '*The members of the board should exercise their 'duty of care' and 'duty of loyalty' to the bank under applicable national laws and supervisory standards. This includes engaging actively in the major matters of the bank and keeping up with material changes in the bank's business and external environment, as well as acting to protect the interests of the bank.'* at [24]	3	3	3	3	3	3	3	3	3	3	3	3
1.4 - Related party transactions: '*The board should ensure that transactions with related parties (including internal group transactions) are reviewed to assess risk and are subject to appropriate restrictions (eg by requiring that such transactions be conducted at arms-length terms) and that corporate or business resources of the bank are not misappropriated or misapplied.'* at [25].	3	3	2	2	2	3	1	3	3	3	3	3
1.5 - Corporate culture and 'tone at the top' promoting integrity : *'the board should take the lead in establishing the 'tone at the top' and in setting professional standards and corporate values that promote integrity for itself, senior management and other employees.'* at [26]	2	2	2	3	2	2	0	3	0	1	3	2

Appendix 3 Ratings: 0 = No Discussion, 1 = Partially Compliant, 2 = Substantially Compliant, 3 = Thoroughly Compliant

Basel Principles Paragraph references in []	Australia	Canada	China	EU	Indonesia	Japan	Germany	Singapore	Switzerland	UK	US	Median
1.6 Code of conduct discourages the taking of excessive risks amongst other considerations: *'A bank's code of conduct, or comparable policy, should articulate acceptable and unacceptable behaviours...It should also discourage the taking of excessive risks as defined by internal corporate policy.'* at [27]	1	1	1	1	1	1	0	1	0	0	2	1
1.7 Timely elevation of problems to higher levels: *'The bank's corporate values should recognise the critical importance of timely and frank discussion and elevation of problems to higher levels within the organisation...it is highly beneficial for banks to establish a policy setting forth adequate procedures, consistent with national law, for employees to confidentially communicate material and bona fide concerns or observations of any violations...The board should determine how and by whom legitimate concerns shall be investigated and addressed, for example by an internal control function, an objective external party, senior management and/or the board itself.'* at [28]	2	0	1	3	1	1	0	3	0	1	3	1
Oversight of management												
1.8 Selection, replacement and appropriate plans for succession of senior management: '*Except where required by applicable law or regulations, the board should select and, when necessary, replace senior management and have in place an appropriate plan for succession.*' at [30]	2	3	2	0	2	1	3	2	2	1	3	2
1.9 The board should monitor that senior management's actions are consistent with the strategy and policies approved by the board, including the risk tolerance/appetite: at [31]	2	3	2	1	2	2	0	3	2	3	2	2
1.10 The board should ...meet regularly with senior management: at [31]	0	3	2	2	0	0	0	0	3	0	1	0
1.11 Set formal performance standards consistent with long-term objectives: *'the board should ...set formal performance standards for senior management consistent with the long-term objectives, strategy and financial soundness of the bank, and monitor senior management's performance against these standards*' at [31]	1	2	1	3	2	0	0	0	0	0	0	0

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Ratings: 0 = No Discussion, 1 = Partially Compliant, 2 = Substantially Compliant, 3 = Thoroughly Compliant

Basel Principles Paragraph references in []	**Australia**	**Canada**	**China**	**EU**	**Indonesia**	**Japan**	**Germany**	**Singapore**	**Switzerland**	**UK**	**US**	**Median**
1.12 The board should ...ensure that senior management's knowledge and expertise remain appropriate given the nature of the business and the bank's risk profile: at [31]	0	0	0	2	0	0	0	0	0	0	0	0
1.13 Clear lines of responsibility and accountability: *'The board should ensure that the bank's organisational structure facilitates effective decision making and good governance. This should include ensuring that lines of responsibility and accountability - which define clearly the key responsibilities and authorities of the board itself, as well as of senior management and those responsible for the control functions are set and enforced throughout the organisation.'* at [32]	2	0	2	3	3	2	0	3	3	3	2	2
1.14 Regular review of policies and controls with senior management: *'The board should also regularly review policies and controls with senior management and internal control functions (including internal audit, risk management and compliance) in order to determine areas needing improvement, as well as to identify and address significant risks and issues.'* at [33]	1	1	1	1	1	1	1	1	1	1	1	1
<u>Principle 2:</u> Board members should be and remain qualified, including through training, for their positions. They should have a clear understanding of their role in corporate governance and be able to exercise sound and objective judgment about the affairs of the bank.												
Qualifications												
2.1 The board should possess, both as individual board members and collectively, appropriate experience, competencies and personal qualities, including professionalism and personal integrity: at [35]	3	3	2	3	2	1	1	2	1	1	0	2
2.2 The board should have adequate knowledge and experience relevant to each of the material financial activities the bank intends to pursue in order to enable effective governance and oversight: at [36]	0	3	1	3	0	1	0	3	0	0	0	0

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Ratings: 0 = No Discussion, 1 = Partially Compliant, 2 = Substantially Compliant, 3 = Thoroughly Compliant

Basel Principles Paragraph references in []	**Australia**	**Canada**	**China**	**EU**	**Indonesia**	**Japan**	**Germany**	**Singapore**	**Switzerland**	**UK**	**US**	**Median**
Training												
2.3 Induction and ongoing education on relevant issues for board members: '*In order to help board members acquire, maintain and deepen their knowledge and skills and to fulfil their responsibilities, the board should ensure that board members have access to programmes of tailored (eg induction) and ongoing education on relevant issues. The board should dedicate sufficient time, budget and other resources for this purpose.'* at [37]	1	3	1	3	0	0	1	2	2	3	1	2
Composition												
2.4 The bank should have an adequate number ...of board members*:* at [38]	3	3	3	3	3	3	3	2	3	3	0	3
2.5 Board independence and diversity: *'Board perspective and ability to exercise objective judgment independent of both the views of executives and of inappropriate political or personal interests can be enhanced by recruiting members from a sufficiently broad population of candidates, to the extent possible and practicable given the bank's size, complexity and geographic scope. Independence can be enhanced by including a large enough number of qualified non-executive members on the board who are capable of exercising sound objective judgment.'* at [38]	3	2	1	3	2	0	3	1	3	3	2	2
2.6 Able to commit the necessary time and effort: *'In identifying potential board members, the board should ensure that the candidates are qualified to serve as board members and are able to commit the necessary time and effort to fulfil their responsibilities. Serving as a board member or senior manager of a company that competes or does business with the bank can compromise board independent judgment and potentially create conflicts of interest, as can cross-membership of boards.*' at [39]	2	1	1	2	3	0	2	2	0	1	0	1
Principle 3: The board should define appropriate governance practices for its own work and have in place the means to ensure that such practices are followed and periodically reviewed for ongoing improvement.												

Appendix 3 Ratings: 0 = No Discussion, 1 = Partially Compliant, 2 = Substantially Compliant, 3 = Thoroughly Compliant

Basel Principles Paragraph references in []	Australia	Canada	China	EU	Indonesia	Japan	Germany	Singapore	Switzerland	UK	US	Median
Organisation and functioning of the board												
3.1 The board should maintain, and periodically update, organisational rules, by laws, or other similar documents setting out its organisation, rights, responsibilities and key activities*:* at [41]	2	1	1	3	1	0	0	1	0	1	0	1
3.2 The board should structure itself in such a way, including in terms of size, frequency of meetings and the use of committees, so as to promote efficiency, sufficiently deep review of matters and robust, critical challenge and discussion of issues: at [42].	2	3	2	3	1	1	1	3	1	3	2	2
3.3 Regular assessments of both the board as a whole and of individual board members: *'To support board performance, it is a good practice for the board to carry out regular assessments of both the board as a whole and of individual board members. Assistance from external facilitators in carrying out board assessments can contribute to the objectivity of the process.'* at [43]	2	2	1	3	0	0	1	2	2	3	1	2
Role of the chair												
3.4 Chair should be appropriately qualified to ensure the board's effective overall functioning: *'The chair of the board plays a crucial role in the proper functioning of the board. He or she provides leadership to the board and is responsible for the board's effective overall functioning, including maintaining a relationship of trust with board members. The chair should possess the requisite experience, competencies and personal qualities in order to fulfil these responsibilities'* at [44].	2	3	1	2	0	0	0	2	2	2	0	2

Appendix 3 Ratings: 0 = No Discussion, 1 = Partially Compliant, 2 = Substantially Compliant, 3 = Thoroughly Compliant

Basel Principles Paragraph references in []	**Australia**	**Canada**	**China**	**EU**	**Indonesia**	**Japan**	**Germany**	**Singapore**	**Switzerland**	**UK**	**US**	**Median**
3.5 Separation of the chair and CEO function: *'To achieve appropriate checks and balances, an increasing number of banks require the chair of the board to be a non-executive, except where otherwise required by law. Where a bank does not have this separation and particularly where the roles of the chair of the board and the CEO are vested in the same person, it is important for the bank to have measures in place to minimise the impact on the bank's checks and balances of such a situation (such as, for example, by having a lead board member, senior independent board member or a similar position).'* at [46]	3	3	0	3	0	3	0	3	3	3	0	3
Board Committees												
3.6 Each committee should have a charter: *'Each committee should have a charter or other instrument that sets out its mandate, scope and working procedures.'* at [48]	3	3	0	3	0	0	2	3	2	3	1	2
3.7 Committees should maintain appropriate records - *'Committees should maintain appropriate records (eg meeting minutes or summary of matters reviewed and decision taken) of their deliberations and decisions.'* at [49].	1	0	0	2	0	3	2	3	2	0	0	1
Audit Committee												
3.8 An audit committee should be required: *'For large banks and internationally active banks, an audit committee or equivalent should be required.'* at [50]	3	3	1	3	3	3	3	3	3	3	3	3
3.9 Audit committee should consists of a sufficient number of independent non-executive board members: *'It is advisable that the audit committee consists of a sufficient number of independent non-executive board members. In jurisdictions where external auditors are selected by the audit committee, it is beneficial for the appointment or dismissal of external auditors to be made only by a decision of the independent, non-executive audit committee members.'* at [51]	3	3	3	3	3	3	1	3	3	3	3	3

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Basel Principles Paragraph references in []	Australia	Canada	China	EU	Indonesia	Japan	Germany	Singapore	Switzerland	UK	US	Median
3.10 Relevant and recent experience in financial reporting, accounting and auditing commensurate with the complexity of the banking organisation: *'At a minimum, the audit committee as a whole should have recent and relevant experience with the complexity of the banking organisation and the duties to be performed - in financial reporting, accounting and auditing.'* at [51]	3	1	3	3	3	0	0	3	3	3	3	3
Risk Committee												
3.11 Appropriate to have a board-level risk committee responsible: *'It is also appropriate for many banks, especially large banks and internationally active banks, to have a board level risk committee or equivalent, responsible for advising the board on the bank's overall current and future risk tolerance/appetite and strategy, and for overseeing senior management's implementation of that strategy. This should include strategies for capital and liquidity management, as well as for credit, market, operational, compliance, reputational and other risks of the bank.'* at [52]	2	3	1	3	3	0	0	3	0	2	2	2
3.12 Should receive formal and informal communication from the bank's risk management function and CRO and should have access to external expert advise: *'To enhance the effectiveness of the risk committee, it should receive formal and informal communication from the bank's risk management function and CRO and should, where appropriate, have access to external expert advice, particularly in relation to proposed strategic transactions, such as mergers and acquisitions.'* at [52]	0	2	1	3	2	0	0	0	0	0	0	0
Other Committees												
3.13 Specialised committees should have an optimal mix of skills and experience: *'The board should appoint members to specialised committees with the goal of achieving an optimal mix of skills and experience that, in combination, allow the committees to fully understand, objectively evaluate and bring fresh thinking to the relevant issues'* at [54].	1	3	2	3	2	0	1	2	1	2	0	2

Appendix 3 Ratings: 0 = No Discussion, 1 = Partially Compliant, 2 = Substantially Compliant, 3 = Thoroughly Compliant

Basel Principles Paragraph references in []	Australia	Canada	China	EU	Indonesia	Japan	Germany	Singapore	Switzerland	UK	US	Median
3.14 Membership should be composed of non-executives and to the extent possible, a majority of independent members: *'In order the achieve the needed objectivity, membership should be composed of non-executives and to the extent possible, a majority of independent members. In cases where a pool of independent candidates is not available, committee membership should strive to mix skills and experience in order to maximise objectivity.'* at [54].	3	3	3	2	3	1	0	3	3	3	3	3
Conflicts of interest												
3.15 The board should have a formal written conflicts of interest policy: *'The board should have a formal written conflicts of interest policy and an objective compliance process for implementing the policy*.' at [56].	3	3	1	3	3	3	1	3	1	3	3	3
3.16 Disclosure of bank's policies on conflicts of interest and potential conflicts of interest: *'The board should ensure that appropriate public disclosure is made, and/or information is provided to supervisors, relating to the bank's policies on conflicts of interest and potential conflicts of interest. This should include information on the bank's approach to managing managerial conflicts of interest that are not consistent with such policies; and conflicts that could arise as a result of the bank's affiliation or transactions with other entities within the group.'* at [58]	1	2	0	0	1	3	0	1	0	1	3	1
Controlling shareholders												
3.17 Specific procedures and periodic reviews to ensure that board members appointed by controlling shareholders appropriately discharge their responsibilities - *'Where there are controlling shareholders with power to appoint board members, the board should exercise corresponding caution. In such cases, it is useful to bear in mind that the board members have responsibilities to the bank itself, regardless of who appoints them. In cases where there are board members appointed by a controlling shareholder, the board may wish to set out specific procedures or conduct periodic reviews to ensure that appropriate discharge of responsibilities by all board members.'* at [60].	3	3	3	0	2	0	0	0	0	0	0	0

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Basel Principles Paragraph references in []	**Australia**	**Canada**	**China**	**EU**	**Indonesia**	**Japan**	**Germany**	**Singapore**	**Switzerland**	**UK**	**US**	**Median**
<u>Principle 4:</u> In a group structure, the board of the parent company has the overall responsibility for adequate corporate governance across the group and ensuring that there are governance policies and mechanisms appropriate to the structure, business and risks of the group and its entities.												
Board of a Parent Company												
4.1 Should be aware of material risks and issues that might affect both the bank as a whole and its subsidiaries: *'In the discharge of its corporate governance responsibilities, the board of the parent company should be aware of the material risks and issues that might affect both the bank as a whole and its subsidiaries. It should therefore exercise adequate oversight over subsidiaries, while respecting the independent legal and governance responsibilities that might apply to regulated subsidiary boards.'* at [61]	2	3	1	3	1	2	3	0	0	3	1	2
4.2 Board of the parent company should assess the governance structure periodically: *'the board of the parent company should ...assess the governance structure periodically to ensure that it remains appropriate in light of growth, increased complexity, geographic expansion etc'* at [62]	3	0	0	3	0	2	2	0	0	2	0	0
4.3 Board of the parent company should approve a corporate governance policy at the group level for its subsidiaries: at [62]	3	0	1	3	0	1	1	0	0	1	1	1
4.4 Board of the parent company should have appropriate means to monitor that each subsidiary complies with all applicable governance requirements: at [62]	2	0	0	3	0	1	1	0	1	1	1	1
Board of regulated subsidiary												
4.5 Should adhere to the corporate values and governance principles espoused by the parent company: at [63]	0	0	0	3	0	0	0	0	0	1	1	0

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Basel Principles Paragraph references in []	Australia	Canada	China	EU	Indonesia	Japan	Germany	Singapore	Switzerland	UK	US	Median
4.6 Should retain and set its own corporate governance responsibilities: at [64]	2	2	0	3	0	0	0	0	0	3	0	0
4.7 Should ensure that group-level decisions or practices are not detrimental to the sound and prudent management of the subsidiary, the financial health of the subsidiary or the legal interests of the subsidiary's stakeholders: at [64]	2	0	1	3	0	0	0	0	0	1	1	0
B. Senior Management												
<u>Principle 5:</u> Under the direction of the board, senior management should ensure that the bank's activities are consistent with the business strategy, risk tolerance/appetite and policies approved by the board.												
5.1 Senior management should have the necessary experience, competencies and integrity to manage the businesses under their supervision as well as have appropriate control over the key individuals in these areas: at [65].	2	3	2	0	3	1	1	1	0	1	1	1
5.2 Should ensure that the bank's activities are consistent with the business strategy , risk tolerance/appetite and policies approved by the bank's board: at [66].	0	2	3	0	1	3	1	3	3	2	3	2
5.2 Should implement appropriate systems for managing risks: at [68].	3	3	3	0	1	3	3	3	3	3	3	3
C. Risk management and internal controls												
<u>Principle 6</u>: Banks should have an effective internal controls system and a risk management function (including a chief risk officer or equivalent) with sufficient authority, stature, independence, resources and access to the board.												
Risk management vs internal controls												

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Basel Principles Paragraph references in []	Australia	Canada	China	EU	Indonesia	Japan	Germany	Singapore	Switzerland	UK	US	Median
6.1 Risk management definition: the process of identifying, assessing, monitoring, controlling or mitigating and reporting to senior management on risk exposures: at [69]	1	1	3	3	3	1	3	3	3	3	2	3
6.2 Internal controls should be in place to ensure that each key risk has a policy, process or other measure: at [70].	2	3	2	3	1	2	2	3	1	2	3	2
6.3 Internal controls should be in place to ensure that such risk polices, processes or other measures are being applied and work as intended: at [70]	3	3	2	3	3	2	3	3	3	3	3	3
6.4 Internal controls should also place reasonable checks on managerial and employee discretion so that key management decisions being made by more than one person: at [70].	1	1	1	1	1	1	3	3	3	3	1	1
6.5 Internal control reviews should also be conducted to determine the extent of an institution's compliance with company policies and procedures, as well as with legal and regulatory polices: at [70.	1	3	3	3	3	2	1	3	3	3	2	3
Chief risk officer or equivalent												
6.6 Large banks and internationally active banks should have a chief risk officer (CRO): at [71].	0	3	2	3	0	3	0	2	3	3	0	2
6.7 The CRO responsibility should be distinct from other executive functions and there should be no 'dual hatting': at [71]	0	2	2	1	0	0	0	3	0	2	0	0
6.8 The CRO should report and have direct access to the board and its risk committee without impediment: at [72].	0	3	1	3	0	2	0	3	0	3	0	1
6.9 CRO should have sufficient stature, authority and seniority: at [73]	0	3	2	3	0	2	0	1	0	3	0	1
6.10 CRO removal must be approved by the board and disclosed publicly: at [74].	0	1	3	3	0	0	0	1	0	1	0	0

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Basel Principles Paragraph references in []	Australia	Canada	China	EU	Indonesia	Japan	Germany	Singapore	Switzerland	UK	US	Median
Scope of responsibilities, stature and independence of the risk management function												
6.11 The risk management function should encompass all risks to the bank including on and off balance sheet and at a group-wide, portfolio and business-line level and should take into account the extent to which risks overlap (eg the lines between market and credit risk and between credit and operational risk are increasingly blurred). This should include a reconciliation of the aggregate level of risk in the bank to the board-established risk tolerance/appetite: at [75].	1	1	1	2	1	3	2	1	3	1	2	1
6.12 The risk management function, under the direction of the CRO, should have sufficient stature within the bank such that issues raised by risk managers received the necessary attention from the board, senior management and business lines: at [76].	2	3	3	3	0	1	2	1	2	1	1	2
6.13 The risk management function should be sufficiently independent of the business units whose activities and exposures it reviews: at [77].	2	1	3	3	3	1	1	3	3	3	1	3
6.14 Risk managers should not be isolated from business lines - geographically or otherwise. The risk management function should have access to all business lines that have the potential to generate material risk to the bank: at [77].	0	0	0	2	1	1	0	0	3	1	0	0
Resources												
6.15 The risk management function should have adequate resources: at [78].	1	3	1	0	0	2	1	3	3	3	1	1
Qualifications												
6.16 Risk management personnel should possess sufficient experience and qualifications, including market and product knowledge as well as mastery of risk disciplines: at [79].	1	0	1	2	2	2	2	2	1	1	1	1

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Basel Principles Paragraph references in []	Australia	Canada	China	EU	Indonesia	Japan	Germany	Singapore	Switzerland	UK	US	Median
<u>Principle 7:</u> Risks should be identified and monitored on an ongoing firm-wide and individual entity basis, and the sophistication of the bank's risk management and internal control infrastructures should keep pace with any changes to the bank's risk profile.												
Risk methodologies and activities												
7.1 Risk analysis should include both quantitative and qualitative elements. Excessive focus on measuring or modelling risks at the expense of other risk management activities may result both in overreliance on risk estimates that do not accurately reflect real exposures and in insufficient action to address and mitigate risks:at [80].	1	2	1	3	1	1	2	2	1	1	1	1
7.2 The board should give special attention to the quality, completeness and accuracy of the data it relies on to make risk decisions: at [81].	1	1	1	1	1	1	1	1	1	1	1	1
7.3 The bank should also utilise forward-looking stress tests and scenario analysis to better understand potential risk exposures under a variety of adverse circumstances: at [82].	3	3	3	3	3	3	3	3	3	3	3	3
7.4 Banks also also regularly review actual performance after the fact relative to risk estimates (ie backtesting) to assist in gauging the accuracy and effectiveness of the risk management process: at [83]	3	3	3	3	0	3	0	3	3	3	3	3
7.5 The risk management function should promote the importance of senior management and business line managers in identifying and assessing risks critically, rather than relying excessively on external risk assessments: at [84] .	0	1	0	3	0	1	1	1	1	1	1	1
7.6 While parent companies should conduct strategic, group-wide risk management and prescribe corporate risk policies, subsidiary management and boards should have appropriate input into their local or regional adoption and to assessments of local risks: at [85]	0	0	1	1	0	1	0	0	0	1	0	0

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Basel Principles Paragraph references in []	Australia	Canada	China	EU	Indonesia	Japan	Germany	Singapore	Switzerland	UK	US	Median
7.7 The bank's risk management and internal control infrastructures - including, in particular, a sufficiently robust information technology infrastructure - should keep pace with developments such as balance sheet and revenue growth, increasing complexity of the bank's business or operating structure, geographic expansion, mergers and acquisitions or the introduction of new products or business lines: at [87].	1	1	1	2	1	2	2	1	2	3	2	2
7.8 Banks should have approval processes for new products: at [88].	0	1	3	3	3	3	3	3	1	2	3	3
7.9 The risk management function should be actively involved in assessing the risks that could arise from mergers and acquisitions: at [89].	0	0	0	3	0	0	0	0	0	2	2	0
7.10 The bank's treasury and finance functions should promote effective firm-wide risk management not only through supporting financial controls but also through applying robust internal pricing of risk" at [90].	1	0	0	0	0	0	0	1	0	1	0	0
7.11 A business unit's internal cost of funds should reflect material risks to the bank arising from its activities: at [90].	0	0	0	0	0	0	0	0	0	0	0	0
7.12 The risk management framework should be clear and transparent regarding staff and organisational responsibilities for risk: at [91].	2	1	1	1	3	1	2	2	3	2	2	2
<u>Principle 8:</u> Effective risk management requires robust internal communication within the bank about risk, both across the organisation and through reporting to the board and senior management.												
8.1 Culture where senior management and staff are expected and encouraged to identify risk issues as opposed to relying on the internal audit or risk management functions to identify them: at [92].	0	0	0	3	2	1	0	0	0	0	3	0
8.2 The bank's risks exposures and strategy should be communicated with sufficient frequency throughout the entire bank: at [93].	2	2	2	2	2	3	2	1	2	2	2	2

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Basel Principles Paragraph references in []	Australia	Canada	China	EU	Indonesia	Japan	Germany	Singapore	Switzerland	UK	US	Median
8.3 Information should be communicated to the board and senior management in a timely, complete, understandable and accurate manner so that they are equipped to make informed decisions: at [94].	0	2	1	3	1	2	2	2	2	3	3	2
8.4 Risk reporting to the board requires careful design in order to ensure that firm-wide and individual portfolio and other risks are conveyed in a concise and meaningful manner: at [96].	0	0	0	3	0	1	2	0	0	1	1	0
8.5 Risk reporting systems should be dynamic, comprehensive and accurate, and should draw on a range of underlying assumptions. Risk monitoring and reporting should occur not only at the diaggregated level, but should also be aggregated upward to allow for firm-wide or consolidated picture of risk exposures: at [97].	0	2	1	0	2	1	0	1	3	1	1	1
<u>Principle 9:</u> The board and senior management should effectively utilise the work conducted by internal audit functions, external auditors and internal control functions.												
9,1 The board should recognise and acknowledge that independent, competent and qualified internal and external auditors are vital to corporate governance: at [99]. NB OECD Principles requires an annual external audit conducted by an independent, competent and qualified auditor	3	3	2	1	2	3	2	3	2	3	3	3
9.2 The board and senior management should enhance the ability of the internal audit function by promoting the independence of the internal auditor: at [100].	3	3	2	1	2	2	3	3	2	3	3	3
9.3 The board and senior management are responsible for the preparation and fair presentation of financial statements in accordance with applicable accounting standards as well as the establishment of effective internal controls related to financial reporting: at [101].	3	3	2	1	3	3	3	3	3	3	3	3

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Basel Principles Paragraph references in []	Australia	Canada	China	EU	Indonesia	Japan	Germany	Singapore	Switzerland	UK	US	Median
9.4 Non-executive board members should have the right to meet regularly - in the absence of senior management - with the external auditor and the heads of the internal audit and compliance functions: at [102].	2	3	0	0	0	0	0	3	0	2	0	0
9.5 The bank should maintain sound control functions, including an effective compliance function that, among other things, routinely monitor compliance with laws, corporate governance rules, regulations, codes and policies to which the bank is subject and ensure that deviations are reported to an appropriate level of management and, in case of material deviations, to the board: at [103].	2	3	2	2	3	2	2	3	3	3	3	3
D. Compensation												
10.1 Banks should fully implement the FSB Principles and Standards, or the applicable national provisions that are consistent with the FSB Principles and Standards in their entirety.												
D.1 Significant financial institutions should have a board remuneration committee: at [1].	3	3	3	3	3	2	3	3	3	3	3	3
D.2 The renumeration committee should be constituted in a way that enables it to exercise competent and independent judgment on compensation policies and practices : at [1].	3	3	3	3	3	3	0	3	3	3	3	3
D.3 The renumeration committee should work closely with the firm's risk committee: at [1].	2	3	1	3	0	1	0	3	1	2	3	2
D.4 The renumeration committee should ensure that an annual compensation review, if appropriate externally commissioned, is conducted independently of management and submitted to the relevant national supervisory authorities or publicly disclosed: at [1].	1	3	1	3	0	1	1	3	1	1	1	1
D.5 For employees in the risk and compliance function remuneration should be determined independently of other business areas and be adequate to attract qualified and experienced staff and performance measures should be based principally on the achievement of the objectives of their functions: at [2].	3	3	3	3	0	3	0	3	3	3	3	3

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Basel Principles Paragraph references in []	Australia	Canada	China	EU	Indonesia	Japan	Germany	Singapore	Switzerland	UK	US	Median
D.6 Significant financial institutions should ensure that total variable compensation does not limit their ability to strengthen their capital base: at [3].	2	3	1	3	0	3	0	3	3	3	0	3
D.7 Subdued or negative financial performance of the firm should generally lead to a considerable contraction of the firm's total variable compensation, taking into account both current compensation and reductions in payouts of amounts previously earned, including through malus or clawback provisions: at [5].	2	3	2	3	0	2	2	3	3	3	2	2
D.8 For senior executives as well as other employees whose actions have a material impact on the risk exposure of the firm a substantial proportion of compensation should be variable and paid on the basis of individual, business-unit and firm-wide measures that adequately measure performance: at [6].	0	3	2	3	0	1	2	3	0	2	1	2
D.9 For senior executives as well as other employees whose actions have a material impact on the risk exposure of the firm a substantial portion of variable compensation, such as 40 to 60 percent, should be payable under deferral arrangements over a period of years: at [6].	3	3	3	3	0	1	2	3	3	3	3	3
D.10 For senior executives as well as other employees whose actions have a material impact on the risk exposure of the firm these proportions should increase significantly along with the level of seniority and/or responsibility. For the most senior management and the most highly paid employees, the percentage of variable compensation that is deferred should be substantially higher, for instance above 60 percent: at [6].	2	3	3	1	0	0	0	0	2	0	1	0
D. 11 A substantial proportion, such as more than 50 percent, of variable compensation should be awarded in shares or share-linked instruments (or, where appropriate, other non-cash instruments), as long as these instruments create incentives aligned with long-term value creation and the time horizons of risk: at [8].	1	3	0	3	0	2	2	3	0	3	3	2
D.12 In the event of exceptional government intervention to stabilise or rescue the firm compensation structures of the most highly compensated employees should be subject to independent review and approval: at [10]	0	3	3	3	0	0	0	3	0	3	0	0

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Basel Principles Paragraph references in []	Australia	Canada	China	EU	Indonesia	Japan	Germany	Singapore	Switzerland	UK	US	Median
D 13 Guaranteed bonuses are not consistent with sound risk management or the pay-for-performance principle and should not be a part of prospective compensation plans: at [11].	2	3	0	3	0	2	3	3	0	3	3	3
D. 14 Significant financial institutions should demand from their employees that they commit themselves not to use personal hedging strategies or compensation and liability-related insurance to undermine the risk alignment effects embedded in their compensation arrangements	3	3	3	3	0	1	3	3	0	3	0	3
<u>Principle 10:</u> The board should actively oversee the compensation system's design and operation, and should monitor and review the compensation system to ensure that it operate as intended												
10.2 The board members who are most actively involved in the design and operation of the compensation system (eg as members of the board's compensation committee) should be independent, non-executive members with substantial knowledge about compensation arrangements and the incentives and risks that can arise from such arrangements: at [107].	1	3	3	3	0	0	0	3	1	1	3	1
10.3 The board should monitor and review outcomes to ensure that the compensation system is operating as intended: at [108]	3	3	1	3	0	1	0	3	2	1	1	1
<u>Principle 11</u>: An employee's compensation should be effectively aligned with prudent risk taking: compensation should be adjusted for all types of risk; compensation outcomes should be symmetric with risk outcomes; compensation payout schedules should be sensitive to the time horizon of risks; and the mix of cash, equity and other forms of compensation should be consistent with risk alignment.												
E. Complex or opaque corporate structures												

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Basel Principles Paragraph references in []	Australia	Canada	China	EU	Indonesia	Japan	Germany	Singapore	Switzerland	UK	US	Median
<u>Principle 12</u>: The board and senior management should know and understand the bank's operational structure and the risks that it poses (ie 'know your structure').												
12.1 The board and senior management should understand the structure and the organisation of the group, ie the aims of its different units/entities and the formal and informal links and relationships among the entities and with the parent company: at [115].	0	1	0	3	0	3	1	0	0	0	0	0
12.2 The board should approve policies and clear strategies for the establishment of new structures and should properly guide and understand the bank's structure, its evolution and its limitations: at [117].	0	0	0	3	0	0	0	0	0	0	0	0
12.3 Senior management should have a centralised process for approving and controlling the creation of new legal structures : at [117].	0	0	0	3	0	0	0	0	0	0	0	0
12.4 Senior management should recognise the risks that the complexity of the legal entity structure itself may pose, including lack of management transparency, operational risks introduced by interconnected and complex funding structures, intra-group exposures, trapped collateral and counterparty risks: at [117].	0	1	0	2	0	0	0	1	0	0	0	0
<u>Principle 13:</u> Where a bank operates through special-purpose or related structures or in jurisdictions that impede transparency or do not meet international banking standards, its board and senior management should understand the purpose, structure and unique risks of these operations. They should also seek to mitigate the risks identified (ie 'understand your structure').												

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Basel Principles Paragraph references in []	**Australia**	**Canada**	**China**	**EU**	**Indonesia**	**Japan**	**Germany**	**Singapore**	**Switzerland**	**UK**	**US**	**Median**
13.1 The board should evaluate proposed activities and transactions in operating in jurisdictions that are not fully transparent or do not meet international banking standards or creating complex or non-transparent structures that may pose financial, legal, reputational or other risks, and carefully consider, prior to approval, how it will implement effective board and/or managerial oversight: at [120].	0	0	0	3	0	0	0	0	0	0	0	0
13.2 Senior management, and the board as appropriate, should take appropriate action to avoid or mitigate risks associated with customers that may use products and activities provided by banks to engage in illegal or inappropriate activities: at [121]-[122].	0	0	0	3	0	0	0	0	0	0	0	0
13.3 Senior management should ensure the bank has appropriate policies and procedures to establish policies for approval of such activities, document the process of consideration, authorisation and risk management to make this process transparent to auditors and supervisors and regularly evaluate the continuing need to operate in certain jurisdictions or through complex structures that reduce transparency: at [123].	0	0	0	3	0	0	0	0	0	0	0	0
13.4 Senior management, and the board as appropriate, should note these challenges and take appropriate action to avoid or mitigate them by: periodically monitoring such structures to ensure that they remain consistent with their established purpose: at [122].	0	0	0	3	0	0	0	0	0	0	0	0
13.5 Senior management, and the board as appropriate, should note these challenges and take appropriate action to avoid or mitigate them by: establishing adequate procedures to identify and management all material risks arising from these activities: at [122]	0	0	0	3	0	0	0	0	0	0	0	0
13.6 With guidance from the board, senior management should ensure the bank has appropriate policies and procedures to: establish processes for the approval of such activities (eg applicable limits, measures to mitigate legal or reputational risks, and information requirements) taking into account the implications for the resulting operational structure of the organisation: at [123].	0	0	0	3	0	0	0	0	0	0	0	0

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13.7 With guidance from the board, senior management should ensure the bank has appropriate policies and procedures to: document the process of consideration, authorisation and risk management to make this process transparent to auditors and supervisors: at [123].	0	0	0	3	0	0	0	0	0	0	0	0
13.8 With the guidance from the board, senior management should ensure the bank has appropriate policies and procedures to: ensure that information regarding these activities and associated risks is readily available to the bank's head office, is appropriately reported to the board and supervisors: at [123].	0	0	0	3	0	0	0	0	0	0	0	0
13.9 With the guidance from the board, senior management should ensure the bank has appropriate policies and procedures to: regularly evaluate the continuing need to operate in certain jurisdictions or through complex structures that reduce transparency: at [123].	0	0	0	3	0	0	0	0	0	0	0	0
13.10 With the guidance from the board, senior management should ensure the bank has appropriate policies and procedures to: ensure that these activities are subject to regular internal and external audit reviews: at [122].	0	0	0	3	0	0	0	0	0	0	0	0
F. Disclosure and transparency												
<u>Principle 14:</u> The governance of the bank should be adequately transparent to its shareholders, depositors, other relevant stakeholders and market participants.												
14.1 The bank should disclose relevant and useful information that supports the key areas of corporate governance identified by the Committee. Such disclosure should be proportionate to the size, complexity, structure, economic significance and risk profile of the bank: at [128].	3	3	3	3	3	0	3	3	3	3	3	3
14.2 In general the bank should apply the disclosure and transparency section of the 2004 OECD Principles: at [129]												

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14.2.1 Disclosure should include material information on the financial and operating results of the company: OECD Principles, p. 50. Information should be prepared and disclosed in accordance with high quality standards of accounting and financial and non-financial disclosure: OECD Principles, p. 54.	3	3	3	3	3	3	3	3	3	3	3	3
14.2.2 Disclosure should include material information on the company's objectives: OECD Principles, p. at 50.	0	0	0	3	3	0	0	0	0	2	0	0
14.2.3 Disclosure should include material information on major share ownership and voting rights: OECD Principles, at p. 51.	3	3	3	3	3	3	3	3	3	3	3	3
14.2.4 Disclosure should include material information about board members and key executives, including their qualifications, the selection process, other company directorships and whether they are regarded as independent by the board: OECD Principles, p. 51.	1	1	2	1	3	0	1	3	3	2	3	2
14.2.5 Disclosure should include material information on related party transactions: OECD Principles, p. 52.	3	3	2	3	3	3	0	3	3	3	3	3
14.2.6 Disclosure should include material information on foreseeable risk factors: OECD Principles, p. 53.	1	0	3	3	1	1	3	1	3	3	3	3
14.2.7 Disclosure should include material information on issues regarding employees and other stakeholders: OECD Principles: p. 53.	1	3	0	1	2	3	0	1	0	1	3	1
14.2.8 Disclosure should include material information on governance structures and policies, in particular, the content of any corporate governance code or policy and the process by which it is implemented: OECD Principles, p. 53.	3	3	1	3	1	1	0	3	1	3	3	3
14.2.9 Channels for disseminating information should provide for equal, timely and cost-efficient access to relevant information by users: p. 56.	3	3	3	3	3	3	3	3	1	1	3	3
14.3 The bank should appropriately disclose its incentive and compensation policy: at [129].	3	3	3	3	3	3	3	3	3	3	3	3

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Basel Principles Paragraph references in []	Australia	Canada	China	EU	Indonesia	Japan	Germany	Singapore	Switzerland	UK	US	Median
14.4 The bank should disclose key points concerning its risk tolerance/appetite (without breaching necessary confidentiality) with a description of the process for defining it and information concerning the board involvement in such process: at [130].	1	0	0	0	1	0	0	0	0	3	1	0
14.5 Disclosure should be accurate, clear and presented in an understandable manner and in such a way that shareholders, depositors, other relevant shareholders and market participants can consult it easily: at [131].	3	3	3	3	3	3	1	1	3	3	3	3
14.6 Timely public disclosure is desirable on a bank's public website: at [131].	2	3	3	0	3	3	3	3	3	3	3	3