

Prudential Policy Unit
International Credit Institutions
Financial Regulator
PO Box 9138
College Green
Dublin 2

30th June 2010

Re: **Response to "Consultation Paper CP 41 Corporate Governance Requirements for Credit Institutions and Insurance Undertakings" ("CP 41")**

We welcome the opportunity to respond to the above referenced Consultation Paper and provide the Financial Regulator with our input on the very serious issues addressed by this document.

Elavon Financial Services Limited ("Elavon") has operated as a licensed credit institution in Ireland since December Of 2006. Our parent institution, US Bancorp, ("US Bank") is the fifth largest bank in America and its operations are regulated by both the United States Federal Reserve Bank and the US Office of Currency Control ("OCC"). Elavon, as a wholly owned subsidiary within the US Bank group, is, as you know, directly regulated by the Financial Regulator but is also subject to review and oversight by both of the above named offices. Given this highly regulated environment Elavon has always prided itself on aspiring, (and we believe, performing) to an extremely high standard when structuring our corporate governance framework.

It is with this goal in mind that we have reviewed the proposals contained in CP 41. We have conducted this review both internally, and with the assistance of our industry groups and associations, most particularly the Federation of International Banks in Ireland ("FIBI"). As you are aware FIBI has made a submission in respect of CP 41 and we would like to signal our concurrence with the points made in that document. Rather than focus on re-iterating points already made in that submission what we propose to do in this letter is emphasize for your review those aspects of the proposal that have particular significance for, and relevance to, Elavon.

Of primary concern to Elavon are the areas of "Independence" and "Director Independence" as defined and used throughout the consultation paper. We heartily agree with the points made by FIBI concerning this issue in its submission. From what we can see the proposals contained in CP 41 produce a contradictory tension between the status of subsidiaries as subsidiaries and the independent directors' role. Having always had a strong independent non-executive presence on its board Elavon can state emphatically that while such representation is vital in terms of board input it is neither desirable or practical that (for the purpose of a subsidiary bank) the role of chairman necessarily be filled by a fully independent director. Having as chair a person who operates at a high level within the parent organisation is often of much higher value – from both a business and a regulatory standpoint. As a means of addressing this we would recommend that it might be best to partially de-couple the chairman's position from the strictest application of the "Independent Director" definition. Instead of demanding that a chair be classified as fully independent the final draft could reasonably sustain the goals of the proposed changes by simply stating that the chairman should "satisfy a significant proportion of the criteria set out under the definition of "Director Independence"", without explicitly requiring full independent status. This way one could be assured that the chair doesn't have financial

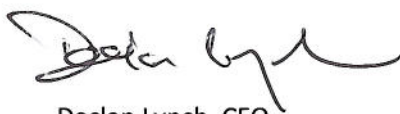
obligations to the institution, is not providing professional services to the institution, isn't on the payroll of the regulated institution, is not a family member or former business partner of the CEO or has not set up a means of receiving additional remuneration from the institution - while at the same time not disqualifying an individual from the chair simply because of the relationship that makes them most fit for that position – their ties to the parent.

We would also supplement the FIBI response by pointing out that, technically, the language of the current draft proposal seems, in certain places, to directly contradict company law. For instance, at Section 9.3 the responsibility for appointment of non-executive directors is given to "the Board". While the board should undoubtedly have a role in reviewing and recommending appointment of directors, under its Articles of Association (which are subject to the review and approval of the Financial Regulator), Elavon, like virtually every company in Ireland, has a board that is elected by its shareholders. We do not believe that such rights can, or should, be overwritten by the proposed regulations.

We trust that the above examples will be helpful to you while completing the consultation process. We would re-iterate our full concurrence with the FIBI response, particularly the points raised with regard to proportionality. We hope that the Financial Regulator's experience with ourselves, and with the vast majority of international banking operations established in Ireland, has been quite positive. While acknowledging the need for a review of corporate governance practices, we would hate to see Ireland's status as a desirable venue for operations of our sort compromised because of the, admittedly appalling, actions of certain domestic banking operations. The operations of subsidiary institutions are wholly distinguishable from such entities and therefore should be distinguished from them in the rules that seek to govern their operations. We believe that in making distinctions between "major institutions" and carving out certain exemptions from some of the proposed rules the text of CP 41 begins to acknowledge this fact. But this is simply a beginning, more can be done to differentiate between what are, in truth, two separate and distinct sorts of businesses - and more should be done. We urge the Financial Regulator to take on board the FIBI recommendations and remain available to provide any further assistance you may request in connection with this matter.

Our thanks to you for affording the opportunity to make this submission.

Sincerely;

A handwritten signature in black ink, appearing to read 'Declan Lynch', with a stylized flourish at the end.

Declan Lynch, CEO
Elavon Financial Services Limited