

INTERNATIONAL RESEARCH CENTER
OF BANKING & CORPORATE GOVERNANCE

HEADQUARTER:
Ukrainian Academy of
Banking of the National Bank
of Ukraine
Petropavlivska Str. 57
Sumy, 40030, Ukraine



INSTITUTIONAL FOUNDERS:
Ukrainian Academy of Banking
of the National Bank of Ukraine
Belgrade Banking Academy
Telfer School of Management
at the University of Ottawa

From: Prof. Alexander Kostyuk, Executive Director,
International Research Center of Banking & Corporate Governance,
Ukraine

Date: 14 June, 2010

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

Subject: Comments to the Consultative Document
“**CORPORATE GOVERNANCE REQUIREMENTS FOR
CREDIT INSTITUTIONS AND INSURANCE UNDERTAKINGS**” – the second contribution

Dear Sir/Madam.

I enclose our comments (second contribution) to the document “**CORPORATE GOVERNANCE REQUIREMENTS FOR CREDIT INSTITUTIONS AND INSURANCE UNDERTAKINGS**”. These comments have been prepared by the team of researchers at the International Research Center of Banking & Corporate Governance at Ukrainian Academy of Banking of the National Bank of Ukraine (Ukraine) consisting of Prof. Alexander Kostyuk and Ms. Varvara Lysenko. We hope that the comments would be taken into consideration when approving the final Paper. Your feedback would be appreciated by us.

With the best regards,
Prof. Alexander Kostyuk



CORPORATE GOVERNANCE REQUIREMENTS FOR CREDIT INSTITUTIONS AND INSURANCE UNDERTAKINGS

#	TREATMENT	PROBLEM	PROPOSITION
1	<p>4.12 Institutions shall review board membership at least once every three years. Institutions shall formally review the membership of the Board of any person who is a member for nine years or more and it shall document its rationale for any continuance and so advise the Financial Regulator in writing. The frequency with which Board membership is renewed shall be documented. The renewal frequency shall consider the balance of experience and independence sought.</p>	<p>“Putting” a new person into the Board needs time and some training provided by the Institution to let the person work with the highest coefficient of efficiency. There is no clear information about “training policy” into the document.</p>	<p>Each Institution should elaborate its “training policy”.</p> <p>We recommend reviewing the board membership once a year. The board membership review process should be assessed through the transaction costs arise.</p>
2	<p>4.8 The Board shall also satisfy itself as to the appropriateness of the non-executive director to be a director.</p>	<p>The terms “appropriateness” sounds a bit vague. The mechanism of choosing non-executives isn’t very much clear.</p>	<p>To work out the mechanisms of choosing and appointing the directors.</p>
3	<p>4.11 Directors shall not participate in any decision making/discussion where a reasonably perceived potential conflict of interest exists.</p>	<p>It isn’t identified, who is considering the discussion/decision being the one that brings potential conflict of interests. There can be some underestimation on</p>	<p>To let Risk Committee work on the question of potential conflicts.</p>

		the part of the Board.	
4	6.3 The CEO shall have a financial background or be required to undertake relevant and timely comprehensive training.	It isn't clear what is considered to be a financial background.	To define the term.
5	9.3 The Board shall be responsible for appointing non-executive directors and the Board shall ensure that non-executive directors <u>are given adequate training about the operations and performance of the institution.</u> The Board shall routinely update the training as necessary to ensure that they can make informed decisions.	Adequate training requires financing. There is no information about the sources of the training budget and about the expediency of the trainings.	To form Training Committee. Its responsibilities will include the control of distribution of the funds; concerning each training course with the object of its necessity.
6	9.4 The Board shall define and document the responsibilities of directors, Board committees and senior management to ensure that no single person has <u>unfettered control</u> of the business.	The term sounds a bit vague. There is no border between "limited" and "unfettered" control in the document.	To define the attributes of this term.
7	15.1 e) Cross committee membership by an individual shall be managed by the institution to ensure that no one individual exercises excessive influence or control	The figure of the maximum of the committees the one can be a member isn't identified.	

--	--	--	--

Issues which require an entire further explanation

5.5 The roles of Chairman and CEO shall be separate?

5.9 An individual who has been the CEO, executive director or member of senior management of an institution, during the previous 5 years, shall not advance to the role of Chairman of that institution?