FINANCIAL STABILITY BOARD

Thematic Review on Corporate Governance

Peer Review Report

28 April 2017

Contacting the Financial Stability Board
Sign up for e-mail alerts: www.fsb.org/emailalert
Follow the FSB on Twitter: @FinStbBoard
E-mail the FSB at: fsb@fsb.org

Thematic Review on Corporate Governance

Table of Contents

Page

Foreword

Financial Stability Board (FSB) member jurisdictions have committed, under the FSB Charter and in the *FSB Framework for Strengthening Adherence to International Standards,*[1] to undergo periodic peer reviews. To fulfil this responsibility, the FSB has established a regular programme of country and thematic peer reviews of its member jurisdictions.

Thematic reviews focus on the implementation and effectiveness across the FSB membership of international financial standards developed by standard-setting bodies and policies agreed within the FSB in a particular area important for global financial stability. Thematic reviews may also analyse other areas important for global financial stability where international standards or policies do not yet exist. The objectives of the reviews are to encourage consistent cross-country and cross-sector implementation; to evaluate (where possible) the extent to which standards and policies have had their intended results; and to identify gaps and weaknesses in reviewed areas and to make recommendations for potential follow-up by FSB members.

This report describes the findings of the peer review on corporate governance, and in particular implementation by FSB member jurisdictions of the *G20/Organisation for Economic Co-operation and Development (OECD) Principles of Corporate Governance*[2] (Principles). It also includes the key elements of the discussion in the FSB Standing Committee on Standards Implementation (SCSI). It is the thirteenth thematic review conducted by the FSB, and it is based on the objectives and guidelines for the conduct of peer reviews set forth in the *Handbook for FSB Peer Reviews*.[3]

The draft report for discussion by SCSI was prepared by a team chaired by Marisa Lago (until January 2017; Department of the Treasury, United States), comprising Abdulrhman M Alhamad (until October 2016; Saudi Arabian Monetary Agency), Dhammika Amukotuwa (Dubai Financial Services Authority), Alexander Berg (World Bank), Julia Blunck (Federal Financial Supervisory Authority, Germany), Hugh Burns (until September 2016; Bank of England, United Kingdom), Christopher Forster (from September 2016; Prudential Regulation Authority, United Kingdom), Mats Isaksson (OECD), Jayanta Jash (Securities and Exchange Board of India), Fabrice Macé (Prudential Supervision and Resolution Authority, France), Camila Pantera (Securities and Exchange Commission of Brazil), Andrey Yakushin (Central Bank of Russia) and Manuela Zweimueller (European Insurance and Occupational Pensions Authority). Jason George and Grace Sone (FSB Secretariat) provided support to the team and contributed to the preparation of the peer review report.

[1] See http://www.fsb.org/2010/01/r_100109a/.

[2] See http://www.oecd-ilibrary.org/docserver/download/2615021e.pdf.

[3] See http://www.fsb.org/wp-content/uploads/Handbook-for-FSB-Peer-Reviews.pdf.

Abbreviations

BCBS	Basel Committee on Banking Supervision
EU	European Union
FSB	Financial Stability Board
IAIS	International Association of Insurance Supervisors
IOSCO	International Organization of Securities Commissions
Methodology	Methodology for Assessing the Implementation of the G20/OECD Principles of Corporate Governance
MMOU	Multilateral Memorandum of Understanding
MOU	Memorandum of Understanding
OECD	Organisation for Economic Co-operation and Development
Principles	G20/OECD Principles of Corporate Governance
RPTs	Related Party Transactions
SCSI	Standing Committee on Standards Implementation
SMR	Senior Managers Regime (United Kingdom)
SSBs	Standard-setting bodies

Executive Summary

Background and objectives

The primary objective of this peer review is to take stock of how FSB member jurisdictions have applied the Principles to publicly listed regulated financial institutions (e.g. banks, insurers, asset managers and financial holding companies), identifying effective practices and areas where good progress has been made while noting gaps and areas of possible weakness.

The peer review also provided input to the update of the OECD's Methodology for Assessing the Implementation of the G20/OECD Principles of Corporate Governance (Methodology) and governance-related aspects of the FSB's broader work on conduct for financial institutions. A final objective is to identify possible areas of follow-up or where more work could be undertaken to further promote effective governance within financial institutions.

Main findings

Important lessons from the global financial crisis of 2008-2009 have been learned by financial institutions, regulators and other stakeholders. Foremost among these lessons is the need to strengthen corporate governance, in terms of both the frameworks and related rules, and the practices of financial institutions.

Effective corporate governance frameworks

The foundation for effective corporate governance is a strong framework. All FSB member jurisdictions report having a comprehensive corporate governance framework that is specified in some combination of a jurisdiction's primary or secondary legislation, rules, standards or industry-based practices or codes. While there is no single best approach to the design of the framework, its effectiveness can be impacted if there is not a clear division of responsibility among financial sector authorities or if the various requirements overlap, leave unwarranted gaps, or are otherwise not well aligned with each other.[4] (see recommendation 1)

Financial sectors have rapidly evolved in recent years, leading to greater heterogeneity in the characteristics of institutions, including their size, complexity and business activities. For this reason, the Principles state that where applicable, the corporate governance framework should allow for proportionality. FSB member jurisdictions generally provide some degree of proportionality within the financial sector, most notably using size as a defining criterion. To illustrate, almost all FSB member jurisdictions require financial institutions to have risk management systems that are commensurate with the size, complexity and risk profile of the institution, with some jurisdictions imposing additional requirements on "systemically important" financial institutions. Some FSB member jurisdictions also allow for proportionality through requirements relating to the establishment of specialised board committees, remuneration policies or limits on the number of directorships that an individual can hold. Disclosure requirements may also be differentiated according to the exchange on which the financial institution is listed or by sector-specific requirements. Similarly, codes and standards

4 The World Bank seeks to assist jurisdictions with the identification of such gaps, overlaps or inconsistencies through its corporate governance Report of Standards and Codes programme.

are sometimes applicable to listed firms, but not to their unlisted subsidiaries that may themselves be financial institutions. In summary, proportionality in corporate governance frameworks is sometimes applied with respect to size and sectors of activity, but it is unclear to what extent other criteria highlighted in the Principles, such as ownership and control structure, geographical presence, and stage of development, are also considered. (see recommendation 2)

The governance frameworks in FSB member jurisdictions all contain a wide range of supervisory and enforcement powers that can be used by different regulatory or oversight agencies to address failures or non-compliance with applicable corporate governance requirements/standards by the financial institutions themselves, as well as by those individuals responsible for such failures or non-compliance. Uncertainties for industry participants can result from different enforcement approaches being adopted by different regulatory or oversight agencies, particularly where the governance standards applied by different agencies have conflicting or overlapping boundaries. Moreover, in many jurisdictions, company law is not enforced by supervisory authorities but rather through private legal action; corporate governance codes are also not typically enforced by supervisors.

The peer review also found that in some FSB jurisdictions supervisors do not have corporate governance specific enforcement powers. Instead, they seem to rely on general powers of supervision and enforcement to address identified corporate governance related issues, including non-compliance. Regulators responsible for the supervision and regulation of financial institutions whose enforcement powers do not extend to corporate governance matters could consider whether their regimes would benefit from having corporate governance specific enforcement powers to augment other existing powers. (see recommendation 3)

Disclosure and transparency

Disclosure and transparency can be powerful tools for influencing the behaviour of companies and for protecting investors and other stakeholders. In contrast, weak disclosure and opaque practices can contribute to unethical behaviour and to a loss of market integrity at great cost, not just to the company and its shareholders, but also to the economy as a whole.

The Principles require the disclosure of material information concerning governance structures and policies, including any corporate governance code and the process by which it is implemented. The peer review found that not all FSB member jurisdictions require that financial institutions disclose a description of their governance arrangements, including compliance with relevant codes and non-compliance thereof. Nor do they always require disclosures concerning the division of authority between shareholders, management and board members; the roles and responsibilities of the chairman and chief executive officer; or committee structures. It was noted that some jurisdictions employ a "comply or explain" regime – as discussed in the Principles – where only exceptions to governance requirements need to be disclosed and explained. (see recommendation 4)

All FSB member jurisdictions require disclosures of financial and non-financial information, including the annual financial statements, management's discussion and analysis of operations and the institution's objectives and strategy. The Principles encourage companies to also disclose policies and performance relating to business ethics, the environment and, where material to the company, social issues, human rights and other public policy commitments, but only a few FSB jurisdictions have requirements in these areas. While all FSB member jurisdictions have disclosure requirements for related party transactions (RPTs), the requirements vary significantly. Differences include the definition of a RPT, what is considered a material transaction, and when a disclosure is required. (see recommendation 12)

All FSB jurisdictions also have qualitative and quantitative requirements embedded in company law, regulatory requirements or in some cases corporate governance codes, concerning the disclosure of remuneration policies as they apply to board members and senior management. Many also require disclosure of the link between remuneration for these individuals and the financial institution's long-term performance.[5] While many FSB member jurisdictions require the disclosure of quantitative remuneration data at the aggregate level, several jurisdictions also require disclosure of remuneration at the individual level. FSB members should ensure that their remuneration-related disclosures provide sufficient opportunity for shareholders to assess the costs and benefits of remuneration plans, including policies for different forms or types of remuneration (e.g. pension benefits or deferred remuneration). (see recommendation 5)

The Principles underscore the importance of providing an external and objective assurance to the board and shareholders that the financial statements fairly represent the financial position and performance of the company in all material respects. This entails having an annual audit conducted by an independent, competent, and qualified auditor in accordance with high-quality auditing standards. However, the definition of independence varies across FSB member jurisdictions. Similarly, while the Principles do not require audit firm or partner rotation, among jurisdictions that do have such requirements, there are differences in the time frame for the rotation and whether it applies to the partner or the audit firm. The oversight of auditor independence is normally the responsibility of the audit committee, but in some cases, it falls to the regulators. The peer review also found that while shareholders usually formally appoint the external auditor, it is typically based upon a recommendation from the board or the board audit committee. Sometimes regulators may also be involved in the process of approving or appointing the external auditor.

The responsibilities of the board

The board is ultimately responsible for setting the institution's strategic direction and overseeing management. As such, it must act in a fully informed manner and in good faith. The board is accountable to the institution itself and its shareholders, and must act in their interests, but at the same time, it must respect stakeholder needs and comply with requirements. A key element of this is ensuring that conflicts of interest are properly monitored and managed.

Although most jurisdictions have requirements in place to detect and prevent possible conflicts of interest, very few specifically reference the importance of independence as it relates to conflicts of interest or refers to board members' responsibility in this area, either individually or collectively.

All FSB member jurisdictions explicitly require boards to behave in an ethical manner, and most mention the need for institutions to have strong values and culture, and the need for boards to instil ethical behaviour throughout the organisation. In response, many financial institutions have found it useful to develop company-wide codes of conduct, setting the framework for the

[5] The FSB's *Principles for Sound Compensation Practices* discuss the disclosure by firms of their compensation practices.

exercise of judgement in dealing with varying and often conflicting constituencies. An explicit code of conduct can also serve to transmit the firm's commitment to behave ethically to all stakeholders. To increase transparency, FSB members that have a corporate governance code require boards to report regularly on compliance with it by board members and employees, and the implementation actions taken by the firm. (see recommendation 6)

Business and risk culture, and setting the "tone from the top", are other areas that warrant attention. In the context of business and risk culture, which involves risk management, key considerations include: internal governance within the financial institution, segregation of duties and responsibilities, information flows, decision-making and the topics that appear on the board agenda. The tone from the top strongly influences governance and decision-making throughout the financial institution.

Self-assessment by boards of their performance as well as performance reviews of individual board members have emerged as effective tools for providing shareholders and other stakeholders with an indication of the effectiveness of the board and allow them to react accordingly.

Although the majority of FSB member jurisdictions require the evaluation of board performance, the Principles do not provide details concerning criteria such as frequency, criteria for self-assessment and disclosure; national authorities may wish to address these criteria in their rules and regulations. Although not required by the Principles, more detailed guidance to financial institutions, especially on minimum risk management requirements and remuneration practices, could strengthen the quality of board evaluations. Other FSB reports[6] have identified an increasing level of interaction among the compensation, risk management and other control functions, and more active oversight by the board of directors on decisions concerning compensation policies and outcomes. (see recommendation 7)

More guidance from national authorities on the criteria for the board self-assessment is needed for practical implementation and integration within the financial institution's own corporate governance framework. Similarly, more could be done to encourage boards to undertake regular assessments.

The Principles also call for board oversight of succession planning, but many FSB member jurisdictions do not require or encourage boards to do this, or to have a formal succession plan in place. As such, the strengthening of jurisdictions' corporate governance frameworks to better incentivise succession planning is warranted. It is worth noting however, that some larger financial institutions are implementing this element of the Principles on their own accord. (see recommendation 8)

The transparency of procedures as they relate to the nomination of individuals to serve on the board, including the criteria for nominating such individuals and the selection process, differs widely among FSB member jurisdictions. In a number of jurisdictions, disclosure of the nomination and selection process for board members, as well as details and qualifications of individual candidates, including how they may complement existing skills of the board, is not

[6] See http://www.fsb.org/wp-content/uploads/FSB-Fourth-progress-report-on-compensation-practices.pdf.

part of the information provided to shareholders at the general meeting. (see recommendation 9)

Remuneration

One right of shareholders is the ability to make their views known on the remuneration of board members and key executives. The principle of "say on pay" states that shareholders should be informed of and have an opportunity to express views on the remuneration policy as well as the total value of compensation arrangements made under the policy and how remuneration is linked to the firm's performance. Some FSB member jurisdictions do not currently require these disclosures. (see recommendations 10 and 12)

Say-on-pay can be carried out through various means, for example, binding or advisory votes, individual and/or aggregate compensation, and is one way in which the strength and tone of shareholder sentiment is conveyed to the board. The Principles call for the approval by shareholders of equity schemes for either individuals or the scheme as a whole.

Whistle-blower policies and protection

Stakeholders, including individual employees and their representative bodies, should be able to freely communicate their concerns about illegal or unethical practices to the board and to the competent public authorities, and their rights should not be compromised for doing this. The need for good corporate governance policy to foster upward reporting in an environment free from recrimination and victimisation is essential if senior management and the board are to adequately manage risk and cultural issues within their company. The peer review team found that most, but not all, FSB member jurisdictions require firms to have in place whistle-blower policies or protections. (see recommendation 11)

Recommendations

Based on the findings discussed above, the peer review offers 12 recommendations to FSB member jurisdictions, standard-setting bodies (SSBs, i.e. OECD, Basel Committee on Banking Supervision, International Association of Insurance Supervisors and International Organization of Securities Commissions) and financial institutions (after each recommendation, it is indicated which of the aforementioned body or bodies may be most appropriate to respond). The recommendations are grouped according to the chapters of this report, with one broader recommendation at the end concerning the review by the OECD of certain specific practices.

Given the different corporate governance frameworks that exist across jurisdictions, financial sectors and among individual financial institutions, not all recommendations will apply to every jurisdiction or institution.

Ensuring the basis for an effective corporate governance framework

1. Identify and take steps to eliminate gaps or inconsistencies in cases where corporate governance related requirements or standards are found in multiple sources (e.g. legislation, rules, codes). (FSB member jurisdictions)
2. Consider if the ownership structure, geographical presence and stage of development of financial institutions could be used, when appropriate, as criteria to implement corporate governance requirements in a proportional manner. (FSB member jurisdictions and SSBs)
3. Augment, as appropriate, enforcement powers available to supervisory authorities to address weaknesses in financial institutions' corporate governance regimes or non-compliance with national authorities' corporate governance requirements. (FSB member jurisdictions)

Disclosure and transparency

4. Consider improving disclosures related to governance structures, voting arrangements, shareholders agreements and of significant cross-shareholding and cross-guarantees. (FSB member jurisdictions)
5. Identify remuneration-related information that could usefully be provided to shareholders. (FSB member jurisdictions)

The responsibilities of the board

6. Consider adopting, implementing and disclosing codes of ethics or conduct. (financial institutions)
7. Encourage boards to undertake regular assessments of their effectiveness, and to receive training that, in part, helps them remain abreast of relevant new laws and regulations. (FSB member jurisdictions and financial institutions)
8. Consider how financial institutions can improve their procedures and practices as they relate to succession planning and board training. (FSB member jurisdictions and financial institutions)

9. Consider enhancing the transparency of the board nomination process, the qualifications of board members (including skills and experience) and the election process. (financial institutions)

The rights and equitable treatment of shareholders and key ownership functions

10. Consider requiring that shareholders be given the opportunity to vote at shareholder meetings on the remuneration policies of financial institutions and the total value of compensation arrangements offered to the board and senior management. (FSB member jurisdictions and financial institutions)

The role of stakeholders in corporate governance

11. Consider enhancing the effectiveness of whistle-blower programmes, including through policies that protect whistle-blowers. (FSB member jurisdictions)

Other

12. Consider reviewing practices with respect to (OECD):
    - The effectiveness of rules regarding the duties, responsibilities and composition of boards within group structures;
    - The framework for RPTs, including identifying, approving and disclosing RPTs;
    - Shareholder votes on pay;
    - The disclosure of beneficial ownership; and
    - The role and responsibilities of independent directors on the board and board committees.

All of the above actions are important and several of them can be pursued concurrently and independently of each other, although their implementation horizons and resource implications will vary.

1. Introduction

1.1 Background

Building more resilient financial institutions is one of the core elements of the FSB's agenda to address the weaknesses that contributed to the financial crisis. In this regard, the FSB places great importance on effective corporate governance. It has designated the Principles as one of the key standards for sound financial systems and work on corporate governance is one element of a multipronged effort undertaken by the FSB and standard-setting bodies to strengthen the overall safety and soundness of financial institutions.

The Principles were originally developed in 1999, updated in 2004 in the wake of large and disruptive corporate scandals, and again in 2015 drawing upon lessons from the global financial crisis. The most recent update maintains many of the Principles from earlier versions as essential components of an effective corporate governance framework while introducing some new issues and bringing greater emphasis or additional clarity to others. The Principles focus on publicly traded companies, both financial and non-financial, and cover the following areas or Chapters:

I. ***Ensuring the basis for an effective corporate governance framework.*** The corporate governance framework should promote transparent and fair markets, and the efficient allocation of resources. It should be consistent with the rule of law and support effective supervision and enforcement.

II. ***The rights and equitable treatment of shareholders and key ownership functions***. Basic shareholder rights are identified, including the right to information and participation through the shareholder meeting in key company decisions. It also deals with disclosure of control structures, such as different voting rights, the use of information technology at shareholder meetings, the procedures for approval of related party transactions and shareholder participation in decisions on executive remuneration.

III. ***Institutional investors, stock markets and other intermediaries***. This is a new area which addresses the need for sound economic incentives throughout the investment chain, with a particular focus on institutional investors. It also highlights the need to disclose and minimise conflicts of interest that may compromise the integrity of proxy advisors, analysts, brokers, rating agencies and others that provide analysis and advice that is relevant to investors. It also contains new principles with respect to cross-border listings and the importance of fair and effective price discovery in stock markets.

IV. ***The role of stakeholders in corporate governance***. Active co-operation between corporations and stakeholders is encouraged and the rights of stakeholders are recognised through established law or mutual agreements. It also supports stakeholders' access to information on a timely and regular basis and their rights to obtain redress for violations of their rights.

V. ***Disclosure and transparency***. Key areas of disclosure are identified, such as the financial and operating results, company objectives, major share ownership, remuneration, RPTs, risk factors, board members, etc. New issues in this principle include the recognition of recent trends with respect to items of non-financial information, such as country-by-country reporting.

VI. ***The responsibilities of the board***. Provides guidance with respect to key functions of the board of directors, including the review of corporate strategy, selecting and compensating management, overseeing major corporate acquisitions and divestitures, and ensuring the integrity of the corporation's accounting and financial reporting systems. New issues in this principle include an increased emphasis on the role of the board of directors in risk management and internal audit, and recognition of its role in tax planning. There is also a new principle recommending board training and evaluation, and a recommendation on considering the establishment of specialised board committees in areas such as remuneration, audit and risk management.

These Principles serve as the basis for the guidelines on corporate governance of banks[7] issued by the Basel Committee on Banking Supervision and the OECD *Guidelines on Insurer and Pension Fund Governance*,[8] and are taken into account in the principles on corporate governance of insurers issued by the International Association of Insurance Supervisors.[9]

Assessments of implementation of the Principles are undertaken as part of the World Bank Reports on the Observance of Standards and Codes (ROSC) initiative. The OECD is in the process of revising the Methodology used for these assessments to reflect the 2015 update to the Principles.

Corporate governance also forms part of the FSB's broader work on conduct. As part of the FSB's efforts to implement the agreed 2015 workplan on measures to reduce misconduct risk,[10] a Working Group on Governance Frameworks was established in May 2016 to exchange good practices on the use of governance frameworks to address misconduct risk at firms.

1.2 Objectives and scope of the review

The peer review examined how FSB member jurisdictions have applied the Principles to publicly listed regulated financial institutions. It also provided an opportunity to 'road-test' the revised Methodology for the Principles, an advanced draft of which was used to support this review.

The objectives of the peer review were to:

- Take stock of implementation of the Principles as they pertain to financial institutions by FSB member jurisdictions, identifying effective practices and areas where good progress has been made while noting gaps and areas of weakness;
- Inform the update to the Methodology that is used for the World Bank Corporate Governance ROSC;
- Provide input to the governance-related aspects of the FSB's broader work on conduct

---

7 See BCBS, *Guideline on Corporate governance principles for banks*, 2015, at http://www.bis.org/bcbs/publ/d328.pdf.

8 See OECD, *OECD Guidelines on Insurer Governance*, 2011 at http://www.oecd.org/finance/insurance/48071279.pdf and *OECD Guidelines for Pension Fund Governance*, 2009 at http://www.oecd.org/daf/fin/private-pensions/34799965.pdf.

9 See, for example, Insurance Core Principles 4, 5, 7 and 8 at http://iaisweb.org/index.cfm?event=getPage&nodeId=25227.

10 See http://www.fsb.org/wp-content/uploads/Misconduct-risk-progress-report.pdf.

for financial institutions; and

- Identify possible areas of follow-up or where further work could be undertaken to further promote effective governance within financial institutions.

In accordance with the FSB's financial stability mandate, the peer review focused only on those Principles that are most pertinent for regulated financial institutions in FSB member jurisdictions. Similarly, the scope was limited to those Principles that in the view of FSB members relate to the most significant aspects of corporate governance which are likely to impact financial stability. Given these scoping requirements, the peer review gave priority to the Principles included in Chapters I, V and VI (Ensuring the basis for an effective corporate governance framework; Disclosures and transparency; and The responsibilities of the board). Aspects of Chapters II and IV dealing with remuneration and whistle-blowing were also addressed and Chapter III, which covers institutional investors, stock markets and other intermediaries, was excluded.

The primary source of information for the peer review were responses from national authorities to a questionnaire asking about implementation of the Principles in their jurisdiction. In addition, the peer review team held a roundtable with the private sector to better understand *inter alia* challenges they may face with implementation of the Principles (see Annex A). A request for public feedback was also posted on the FSB website, asking for comments and suggestions on the topics covered by the peer review (see Annex B).

2. Ensuring the basis for an effective corporate governance framework (Chapter I)

With the financial sector evolving at an increasingly rapid pace, jurisdictions need to closely monitor and adapt their governance frameworks to ensure that they continue to facilitate an environment of trust, transparency and accountability. Such an environment contributes to financial stability and stronger economic growth.

Underpinning an effective corporate governance framework are sound legal, regulatory and institutional frameworks, the form and mix of which will vary from jurisdiction to jurisdiction based upon its specific circumstances, history and tradition. The requirements of the framework should consider the impact on economic performance and offer incentives that lead to transparent and well-functioning markets. Implementation, supervision, and enforcement of the framework and its requirements by various authorities should be clearly articulated. The Principles also stress the importance of cross-border cooperation and the exchange of information.

2.1 The nature and scope of corporate governance frameworks

All FSB member jurisdictions have adopted and implemented corporate governance frameworks for publicly listed financial institutions. The frameworks are set out in various regulatory arrangements, including:

(i) primary legislation;[11]

(ii) secondary legislation;[12]

(iii) stock exchange-based rules;[13]

(iv) detailed standards and rulings issued by regulators and/or supervisors;[14]

(v) purely industry-based good practice standards and corporate governance codes.[15]

All jurisdictions provide an overarching legal framework for all companies (e.g. in their primary legislation as commercial or companies acts). The requirements apply regardless of the companies' business area and whether or not they are listed companies or financial institutions, regulated or otherwise. Oftentimes, the overarching legislation contains some basic corporate

---

[11] Such primary legislation includes laws/acts, as commercial and company laws, capital markets acts, stock exchange acts, banking and insurance acts, etc.

[12] Such as rules and regulations made under primary legislation and in a variety of forms, e.g. governmental ordinances, regulations, rules, etc.

[13] Such as exchanges' business, listing and trading rules.

[14] Such regulatory rulings may be sector- or non-sector specific circulars, policy statements and supervisory statements, minimum requirements, guidelines, etc. and for example on specific corporate governance aspects, on risk management practices, on fit and proper criteria, on related party transactions and disclosure, on the appointment of directors and key function holders, etc.

[15] The powers available to supervisors to enforce mandatory statutory requirements, referred to in items (i), (ii) and (iv) in particular, are generally comprehensive and have the force of law; whereas corporate governance codes are less enforceable and non-mandatory industry good practice standards even less so.

governance elements.[16] In the case of publicly listed companies, there is additional corporate governance regulation applied in most jurisdictions, under a combination of their capital markets regimes,[17] and implemented mainly in primary legislation and at exchanges' level, through their business, listing and trading rules. General corporate governance requirements applicable to listed financial institutions are further augmented by financial sector specific regulation (e.g. applicable to banks, insurers or pension funds), and where a financial institution is publicly listed, under the aforementioned listings regimes.

Corporate governance requirements can be binding, in which case they have the force of law, non-binding or quasi-binding, depending on the nature of the laws/rules/procedures and their source. Non-binding codes are generally industry based best practices, which are voluntary by nature, and non-compliance does not trigger any enforcement action. Codes applied on a comply or explain basis are considered quasi-binding where compliance with the standards in the code is not mandatory, but disclosure to the markets of whether or not the company has complied with the code is mandatory. No one approach is necessarily "better" than another for all jurisdictions and many jurisdictions use a combination of approaches depending upon the specific element or facet of corporate governance being addressed.

Many jurisdictions have adopted or made references in their laws to detailed Codes of Corporate Governance (CCG) for listed companies.[18] They require institutions to describe their corporate governance practices and to refer to the national CCG in the annual disclosures or in specific corporate governance reports. In general, institutions are required to provide meaningful explanations for any deviations from the CCG (i.e. comply or explain). Such a practice recognises that an alternative to following a provision of the CCG can be justified in particular circumstances if good governance can be achieved through other means. There are only a few FSB member jurisdictions where the comply or explain mechanism is not applied, i.e. deviations from or non-compliance of CCGs are acceptable without any obligation to explain.

While it is difficult to ascertain precisely how effective or coherent corporate governance frameworks are either domestically or across FSB member jurisdictions, it is clear that the frameworks are almost universally very broad and rather complex. Complexity in this context arises as a result of (1) the "various regulatory arrangements" intermingling corporate governance requirements with other prudential or regulatory requirements (e.g. solvency) and (2) different levels of requirements in each of the "various regulatory arrangements" for different types of financial institutions (e.g. listed versus non-listed banks).

2.2 Proportionality, consultations and impact assessments

With regard to financial institutions, jurisdictions generally implement some type of proportionality. Besides the "sector of activity" criterion (all jurisdictions treat financial

---

[16] Basic matters on corporate governance for companies are prescribed. They set out, among others, requirements on financial statements and disclosure, shareholders meetings, board members' duties, director meetings, dealing with share capital, etc. In some jurisdictions corporate governance provisions may depend on the legal form of a company (e.g. Stock Corporation Act) or a listing is only possible if a certain legal form is respected.

[17] Sets out, e.g., specific/additional disclosure and transparency requirements; requirements relating to the manner in which securities are to be offered and the continuing listing obligations.

[18] Sets detailed standards of good practice in relation to e.g. board leadership and effectiveness, remuneration, accountability and relations with shareholders.

institutions differently from non-financial companies, at least in some areas), the most common criterion is the size of the financial institution. Almost all jurisdictions require financial institutions to have risk management systems that are appropriate to the size of the institution (market capitalisation and/or total assets are often used as a definition of the size), and some impose additional requirements on "systemically important" financial institutions. Although the Principles do not specify precisely how and in which form proportionality should be applied, some FSB member jurisdictions also allow for proportionality through requirements relating to the establishment of specialised board committees, remuneration policies or limits on the number of directorships that an individual can hold. While normally not financial institution specific, corporate governance codes provide flexibility to comply-or-explain, and some institutions (e.g. cooperatives or SMEs) may not be required to do either. Disclosure requirements may also be differentiated according to the stock market segment on which the financial institution is listed. Similarly, codes and standards are sometimes applicable to listed firms, but not their un-listed subsidiaries which may themselves be financial institutions. In conclusion, proportionality is sometimes applied with respect to size and sectors of activity, but is unclear to what extent other criteria mentioned in the Principles, such as ownership and control structure, geographical presence, and stage of development, are considered when applying proportionality to corporate governance requirements.

The annotations to the Principles further state that policymakers should remain focussed on ultimate economic outcomes and when considering policy options, they should undertake an analysis of the impact on key variables that affect the functioning of markets. When considering policy options, most jurisdictions undertake some kind of impact assessments that focus on ultimate economic outcomes, at least when it comes to legislative measures. Indeed, this is usually required by law regarding all types of legislation, and is thus not financial institution specific. It can, however, be expected that due to the complexity of interactions in the financial markets, such impact assessments are more complicated than in other sectors. Almost all jurisdictions conduct consultations with corporations, their representative organisations and other stakeholders.

2.3 Effectiveness and enforceability of corporate governance frameworks

The Principles state that the legal and regulatory requirements that affect corporate governance practices should be consistent with the rule of law, transparent and enforceable. The annotations to the Principles further note that public authorities should have effective enforcement and sanctioning powers to deter dishonest behaviour and provide for sound corporate governance practices.[19]

Effective supervision and enforcement underpin the effectiveness of proper corporate governance of publicly listed financial institutions. The survey found common features in corporate governance frameworks applicable in the FSB member jurisdictions, and some

[19] The annotations to the Principles further note that corporate governance standards in a jurisdiction should be generally well understood by all economic participants, contain reasonably foreseeable and predictable outcomes, and are enforced in an efficient, consistent and transparent manner.

resulting strengths and weaknesses associated with such features. These factors can impact on how well the corporate governance frameworks in those jurisdictions are operating.[20]

As noted before, all FSB jurisdictions have fairly comprehensive corporate governance frameworks applicable to listed financial institutions operating in or from their jurisdictions.[21] These frameworks contain a wide range of supervisory and enforcement powers that can be used to address failures or non-compliance with applicable corporate governance requirements/standards by the financial institutions themselves, as well as those individuals responsible for such failures or non-compliance.[22]

The powers available to regulatory agencies include all, or at least some combination of, the following measures:

- corrective/preventive measures (e.g. appointment of external agents/experts to review or conduct business by the financial institution, giving directions to the financial institution to make improvements to its systems and controls relating to corporate governance, replacement of directors or other individuals responsible for the financial institution's poor governance with appropriately qualified individuals);
- remedial measures (e.g. orders to pay compensation or damages, or to disgorge undue profits); and
- punitive sanctions (e.g. fines, censures/disqualifications and imprisonment, licensing actions such as suspension/restriction or revocation of a licence, and, in the case of listed financial institutions, the suspension or delisting of that institution's financial instruments on the relevant exchange).[23]

Corporate governance requirements and standards in most FSB jurisdictions stem from multiple sources, with the responsibility for monitoring and enforcement allocated to different regulatory agencies (such as the financial sector specific regulators for banking, insurance and pension and

[20] Regardless of the overall type or nature of the regulatory regime found in the jurisdictions (for example, disclosure-based or merit-based, or common law-based or civil-law based), their corporate governance frameworks have been structured to deliver the desired outcomes.

[21] In most FSB jurisdictions, the number of listed financial institutions appears to be significantly lower than the number of listed public companies in the non-financial sector. Some jurisdictions noted that they have no listed insurers.

[22] For example, directors or senior managers of a financial institution who are directly or indirectly responsible for non-compliance with the applicable governance requirements. Regulators can issue banning orders or fines on such directors or senior managers, in addition to taking corrective, preventive or punitive measures against the financial institution itself.

[23] Some of these sanctions are administrative sanctions that can be imposed by the regulators, whereas others are juridical sanctions. Regulatory agencies are generally subject to administrative 'due process' requirements when they exercise their powers. These entail the regulator giving a person likely to be adversely affected (for example a director against whom the regulator wishes to impose a fine or removing said director from his or her position in response to non-compliance with a corporate governance requirement) (a) a right to receive reasonable notice of, and reasons for, the proposed action to make proper representations against the proposed action (a right of fair hearing), (b) a right to an unbiased decision, and (c) a notice of the review/appeal mechanism available if the person is not satisfied with the regulator's decision. Stock exchanges generally have contractually enforceable rights, and sometimes quasi-regulatory powers (e.g. delegated from the relevant regulatory authority) over companies listed and traded on their exchanges/trading facilities.

asset management), quasi-regulatory agencies (such as stock exchanges and professional bodies with delegated regulatory powers) or purely self-regulatory bodies (such as industry bodies).[24]

While having corporate governance requirements embedded in various sources is not in itself a concern, it does have the potential, as noted during the private sector roundtable, to cause difficulties for market participants – particularly listed financial institutions, and their directors and senior managers who are subject to corporate governance requirements – if they have overlapping boundaries.[25] This may, in turn increase compliance costs for financial institutions and as a result, is an area that can be explored by national authorities to see whether corporate governance requirements or standards, particularly where found in multiple sources, contain gaps or inconsistencies that can be removed.[26]

The enforcement powers available to different regulatory or oversight agencies for non-compliance with corporate governance requirements or standards are also quite different. Again, while this, in itself, is not an issue, uncertainties for industry participants can result from different enforcement approaches being adopted by different regulatory or oversight agencies for non-compliance with corporate governance standards, particularly where the governance standards applied by different agencies have conflicting or overlapping boundaries.[27] Moreover, in many jurisdictions, company law is not enforced by regulatory authorities but rather through private legal action; corporate governance codes are also not typically enforced by regulators. The aforementioned risks of conflicting or overlapping boundaries is somewhat mitigated in many FSB jurisdictions through formal and informal arrangements among responsible regulatory agencies. These arrangements are designed to enable effective coordination that results in appropriate supervisory and enforcement outcomes, including, at least in some jurisdictions, explicit mechanisms to address conflicting regulatory objectives of the relevant agencies.[28]

Another possible concern is, even in jurisdictions where there are formal cooperation and coordination arrangements in place among the relevant regulatory authorities (which appears to be the case in most FSB jurisdictions), whether the existence and impact of such

---

24 Most jurisdictions, which have multiple regulators responsible for monitoring and enforcing corporate governance regimes (instead of a mega or integrated financial services and capital markets regulator, only found in a couple of FSB jurisdictions), have generally clearly allocated the relevant responsibilities to those regulators.

25 In most jurisdictions, corporate governance codes set forth good practices or standards relating to board membership, effectiveness and remuneration on a comply or explain basis, whereas companies or securities laws set out director's duties and accountability, and financial services regulators frequently issue fitness and propriety criteria relating to directors, and other mandatory requirements relating to director's remuneration and associated disclosures.

26 A comment from the industry roundtable was that it might be helpful if national regulators could also develop a central source of information relating to corporate governance standards applicable to financial institutions, both listed and unlisted.

27 In almost all jurisdictions, prudential regulators use their prudential powers to ensure that financial institutions adhere to corporate governance standards. Examples of such powers include requiring changes to or the replacement of the management of a financial institution, or by imposing additional capital requirements where a financial institution does not adopt the applicable corporate governance codes. Other regulators or agencies responsible for monitoring and enforcing compliance with corporate governance standards may adopt different approaches to ensure compliance, such as a comply or explain approach under exchange enforced corporate governance codes, which rely on market discipline through disclosure.

28 While the coordination and cooperation arrangements among multiple financial sector regulators are more prevalent in member jurisdictions, such arrangements seem less formal among other agencies responsible for corporate governance.

arrangements are clearly articulated to regulated financial institutions, their shareholders and other stakeholders. It is important for directors and key executives to know that regulatory authorities are communicating and sharing information to ensure effective oversight of the institution. It is generally considered good practice to make available to regulated firms information about how the relevant agencies would coordinate and cooperate to address instances of non-compliance, including those related to corporate governance. In some jurisdictions (Australia, Italy, the United Kingdom and the United States, for example) regulatory agencies make cooperation arrangements with other regulatory authorities available on their website.

Another issue arises in some FSB jurisdictions where regulators responsible for the supervision and regulation of financial institutions do not seem to have corporate governance specific enforcement powers. Instead, they seem to rely on general powers of supervision and enforcement to address identified corporate governance related issues, including non-compliance.[29] Regulators responsible for the supervision and regulation of financial institutions whose enforcement powers do not extend to corporate governance matters could consider whether their regimes would benefit from having corporate governance specific enforcement powers to augment other existing powers.

The annotations to the Principles also note that when codes and principles are used to complement legal or regulatory provisions, their status in terms of coverage, implementation, compliance and possible sanctions should be clearly specified.

As noted before, in many FSB jurisdictions, codes of corporate governance are applied at the exchange level on a comply or explain basis.[30] Regulators of the exchanges may be in a better position than the exchange itself to take supervisory or enforcement actions against listed firms, including those relating to corporate governance.[31]

2.4 Cross-border cooperation

Cross-border cooperation arrangements are broadly harmonised within the international regulatory community with the following formal layers in place to facilitate cooperation, consultation and information exchange on both, supervisory[32] and enforcement aspects.[33]

---

[29] This may be partly due to historical reasons in the way in which the corporate governance regimes have evolved in different jurisdictions, and the division of regulatory responsibilities among different regulators, including exchange based application of corporate governance codes.

[30] The jurisdictions which have corporate governance codes that apply on a comply or explain basis, where such disclosure to the market is mandatory, include Australia, France, Germany, Italy, Russia (for listed companies), Singapore, South Africa, Spain and the United Kingdom.

[31] For example, in Singapore, the exchange, as the frontline regulator of listed companies, is statutorily required to inform the relevant financial sector regulator before taking any enforcement action for contraventions of corporate governance requirements by a listed financial institution. In some jurisdictions, stock exchanges would be required to make referrals to the relevant regulator(s) of alleged or suspected contraventions (or least some types of contraventions) for appropriate action.

[32] That is, they include cross border supervision aspects in general, but could also include fit and proper criteria, the adequacy of systems and controls, the management policy, the internal organisation, the internal control systems, assisting/participating in on-site inspections, systemic risk issues, financial requirements aspects, etc.

[33] For example, for the purpose of investigating financial crimes.

- **Memoranda of Understanding**: All FSB member jurisdictions are a party to Memoranda of Understanding in one form or another. Multilateral Memoranda of Understanding (MMoU) established by the international standard setters IOSCO[34] and IAIS[35] set a benchmark for cross-border cooperation. In addition, bilateral Memorandums of Understanding (MoUs) are entered into between two authorities and can be either sector specific or cross-sectoral. Both types are non-binding and non-enforceable, but are signed by regulators on the basis of mutual trust and understanding and are effective tools that enhance cross-border cooperation. These memoranda incorporate standards that are generally agreed within the international regulatory community, and therefore carry with them the political and economic imperative of adhering to global best practice. In this regard, some jurisdictions consider them to be quasi-binding. Most jurisdictions have published a list on their website indicating all bilateral and multilateral arrangements. Sometimes, memoranda are supplemented with informal or less formal engagements which can take a range of forms, from *ad hoc* information requests to interagency liaison meetings.
- **Supervisory college arrangements:**[36] Supervisory colleges enable national authorities to engage in international collaboration and consultation relating to the supervision of globally-active systemically important financial institutions. Supervisory colleges afford regulators in their roles as home or host supervisors to have a more comprehensive perspective of groups they supervise, identify prudential concerns, and address such issues effectively through appropriate measures.
- **Regional arrangements**: Within the EU, a binding and enforceable framework for cooperation is implemented by legislation. This framework creates a legal obligation to its members to cooperate with each other on all supervisory aspects and covers forms, templates and procedures for exchanging information. The obligation can be enforced by way of arbitration proceedings, or proceedings before the European Court of Justice.

In most jurisdictions, national legislative provisions are in place to support supervisors' commitments under such arrangements and to ensure that they have the necessary authority to share information with foreign counterparts. Such provisions state that information sharing must take place only where certain safeguards are applicable, e.g. professional secrecy obligations that are equivalent to those set out in their own legislation.

---

[34] IOSCO MMoU Concerning Consultation and Cooperation and the Exchange of Information had 112 signatories as of February 2017; see https://www.iosco.org/library/pubdocs/pdf/IOSCOPD386.pdf.

[35] IAIS MMoU on Cooperation and Information Exchange had 61 signatories as of February 2017; see https://www.iaisweb.org/page/supervisory-material/mmou//file/34363/iais-mmou.

[36] For systemically important financial institutions which are internationally active, it is generally imperative that their supervision by the national regulators should be through supervisory colleges – with national legislation conferring on regulators powers to enter into such arrangements to adhere to international standards, such as those set by Basel for banks.

3. Disclosure and transparency (Chapter V)

As noted in the Principles, disclosure and transparency can be powerful tools for influencing the behaviour of companies and for protecting investors and other stakeholders. In contrast, weak disclosure and opaque practices can contribute to unethical behaviour and to a loss of market integrity at great cost, not just to the company and its shareholders, but also to the economy as a whole. While effective disclosures do not necessarily achieve effective governance per se, it is a tool that helps support more important principles of governance.

Because corporate governance frameworks are set out in various arrangements, so are the disclosure requirements; they may emanate from accounting standards, listing rules, corporate law, corporate governance regulation, transparency regulation or supervisory regulation. Additional disclosures, such as those relating to risk management, related party transactions and remuneration policies are often required by the sectoral supervisor. The different sources of disclosure requirements, however, can increase the complexity of the requirements and lead to a lack of homogeneity and consistency.

The review took stock of: (1) disclosure requirements for material information, (2) how the independence of the external auditor is ensured, and (3) the means and channels for dissemination of timely information, including to cross-border investors.

3.1 Disclosure requirements for material information

The Principles include nine areas where disclosures should be made, but underscore that disclosures should not be limited to these areas. The review considered how jurisdictions have implemented disclosure requirements for (i) financial and operating results; (ii) corporate objectives and non-financial information; (iii) major share ownership, including beneficial owners; (iv) remuneration of directors and key executives; (v) information about directors, including qualifications and independence; and (vi) governance structures and policies. Additional focus was given to related party transactions and foreseeable risk factors.[37]

(i) and (ii) *Financial and non-financial information*: Disclosure of annual financial statements, including management's discussion and analysis of operations, and the objectives and strategy of the institution is evident across the FSB membership. The Principles go on to encourage companies to disclose policies and performance relating to business ethics, the environment and, where material to the company, social issues, human rights and other public policy commitments, but, such disclosures are required in a few FSB member jurisdictions, such as in those that are Member States of the European Union,[38] India and South Africa.

[37] The review did not include disclosures on issues regarding employees and other stakeholders as they are not within the scope of the review.

[38] The so-called "Non-financial Reporting Directive" introduces Europe-wide (applicable to large undertakings) disclosure requirements for environmental, social, employee, human rights, anti-corruption and bribery matters in the management report, and diversity policy in the corporate governance statement.

(iii) *Major share ownership*: Disclosure of ownership and control, including significant ownership interests, is generally required by either accounting standards or listing rules, and in some jurisdictions,[39] a declaration of intent by the acquirer of a large ownership interest also needs to be disclosed. In a few other jurisdictions,[40] voting arrangements and shareholders agreements are not publicly disclosed while in others, significant cross shareholding and cross guarantees are not disclosed. Disclosure of voting arrangements was an issue raised in discussions with the private sector and is an area, along with cross shareholdings, where disclosure practices could be improved.

(iv) *Remuneration*: All jurisdictions require both qualitative and quantitative disclosure of remuneration policies adopted by financial institutions. Many go further and require disclosure of the link between remuneration and the financial institution's performance. Disclosure of information on remuneration for directors and key executives is generally required by company law and regulatory requirements, and in some cases by regulations contained in corporate governance codes. With very rare exceptions, remuneration data is disclosed yearly in annual reports, notes to the financial statements and/or special remuneration reports. While many FSB member jurisdictions require the disclosure of quantitative remuneration data at the aggregate level, several jurisdictions[41] require disclosure of remuneration at the individual level. In certain cases, different disclosure details are required for the board of directors and senior management.[42] The range of disclosure practices vary: remuneration disclosure requirements can be for individuals that exceed a certain remuneration level set in regulation (Argentina, India, Japan, Korea), for the five highest paid executives (Hong Kong and Saudi Arabia), or the number of individuals that fall within a certain remuneration band (France).

(v) *Information about directors*: Information on the composition of the board typically includes the date of appointment and expiration of each director's term, brief biographical data and his or her committee memberships and other external appointments. Some jurisdictions also require disclosure of the director's independence/executive status, skills and qualifications. While not required by the Principles, some jurisdictions mandate disclosures on recruitment policies and diversity, foreign directors, alternates and family members.

(vi) *Governance structures and policies*: Some jurisdictions require that financial institutions provide a description of their governance arrangements, as well as compliance with relevant codes and non-compliance thereof. Some employ a comply or explain regime where only exceptions to governance requirements

---

39 For example, the European Union and its Member States, Hong Kong, Mexico and the United States. Australia requires disclosure to the extent that the arrangement gives rise to an "association" or "relevant interest" under its Corporations Act.

40 For example, China, Singapore and South Africa.

41 For example Australia, Italy, Singapore, Spain, the United Kingdom and United States.

42 For example in Germany the board members remuneration is presented at the aggregate level vis-à-vis individual senior management disclosure.

need to be disclosed and explained. Some do not require disclosure of governance structures and policies. Some include reporting on governance, risk and compliance policies. Some refer to reporting requirements on audit committee matters and risk governance and nomination committees, and especially the selection process. Increasingly, corporate websites are the primary form for disclosing information on corporate governance.

With the above disclosure requirements in mind, it is not always clear from the responses to the questionnaire what types of sanctions are available to the authorities when a financial institution fails to comply with the disclosure requirement.

3.1.1 Related party transactions

The Principles state that in order to ensure that the financial institution is being run with due regard to the interests of its investors, it is essential to fully disclose all material RPTs. In this regard, they recognise that transactions involving major shareholders pose particular risks to financial institutions and therefore require careful oversight and control. While all FSB member jurisdictions have disclosure requirements for RPTs, the requirements vary quite significantly, ranging from differences in the definition of a RPT, to what is considered a material transaction, when, if at all, a disclosure is required, and whether board and/or shareholder notification is required. The range of practices is provided in Annex C.

Legislation usually provides certain thresholds for RPTs to be considered material and to be subject to approval procedures. Virtually all FSB member jurisdictions[43] have established minimum transaction amounts for RPTs that require approval. Many jurisdictions also require that RPT policies be adopted (in particular by banks and usually within their risk management polices) and disclosed.

3.1.2 Foreseeable risk factors

Discussion of material risk factors – tailored to particular company and industry specifics – should cover all risks that are relevant to the institution and, as appropriate, describe the risk management framework of the institution and its risk mitigation procedures. As illustrated in Annex D, all jurisdictions require disclosure of financial market risks on the basis of the accounting framework; on the other hand, jurisdictions typically do not require the disclosure of material business conduct risks[44] and environmental risks.

Many jurisdictions apply certain specific disclosure requirements concerning foreseeable risk factors which are not required or expressly mentioned in the Principles. For example, in Hong Kong, information regarding the purpose, strategies, risks and controls around complex structures are required to be disclosed. More generally, the disclosure of certain specific risks (such as strategic, legal, tax, conflict of interests, human resources, climate change,[45] country

[43] In the United States, for example, the approval procedures are required by stock exchanges, while regulatory requirements focus on the disclosure of RPTs.

[44] Sometimes covered within operational risk.

[45] The FSB convened an industry-led Task Force on Climate-related Financial Disclosures in December 2015 to develop voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to lenders,

and securitisation risks), although not specifically mentioned in the Principles, is sometimes required by jurisdictions. Disclosure of these risks may help to fully inform investors and indeed, was mentioned by the private sector as an area where they felt greater disclosure would be useful.

In certain jurisdictions,[46] a template is provided by a corporate governance code to disclose information on certain risks. This is in addition to the Pillar 3 requirements of the Basel framework for banks.

3.2 Independence of external auditors

The Principles underscore the importance of providing an external and objective assurance to the board and shareholders that the financial statements fairly represent the financial position and performance of the company in all material respects. This entails having an annual audit conducted by an independent, competent, and qualified auditor in accordance with high-quality auditing standards. The review examined how the independence of the external auditor is ensured (e.g. through the appointment process and/or any prohibitions or restrictions, such as a requirement to rotate the audit principal or the audit firm).

While independence restrictions are imposed by law or codes, the definition of independence varies across jurisdictions. The Methodology identified limitations on the number of years associated with partner and firm rotation as examples of practices that can promote auditor independence. Practices in this area differ across jurisdictions: the maximum period of tenure ranges from two years to over ten years and some jurisdictions, for example France, India, Italy, Korea and Spain, also have rules which include a minimum "cooling off period". The oversight of auditor independence is normally the responsibility of the audit committee; but in some cases it falls to the regulators.

Areas where some national authorities may not have consistently or fully adopted practices that are discussed – although not required – in the Principles include:

- Some restrictions on conflicts of interests may not be sufficiently defined.
- Some restrictions on links with natural persons may not be drawn widely enough (for example some extend restrictions only to spouses).
- It is not always clear that past and future employment is recognised as a conflict of interest.
- Only a subset of countries indicated that consideration is given to auditor fee structures and how they may affect independence. Indeed some countries may allow too much discretion on prohibited non-audit services.
- It is not always the case that rotation of the audit firm itself, as well as the engagement team, is required.

insurers, investors and other stakeholders. See http://www.fsb.org/2015/12/fsb-to-establish-task-force-on-climate-related-financial-disclosures/.

46 For example, Italy and Korea.

- There are a few minimum term requirements, but overall there seems to be little recognition given to the key challenge of how to reconcile rotation with audit quality.

Shareholders usually formally appoint auditors based upon a recommendation from the board or the board audit committee. Sometimes regulators may also be involved in the process of approving or appointing the external auditor.

In jurisdictions such as Argentina, Brazil, Canada, France, Germany, Hong Kong, India, Indonesia, Italy, Mexico, Saudi Arabia, Singapore, Spain, the United Kingdom and the United States, the audit committee is responsible for overseeing the auditor's work, independence and their fees. In such cases, the external auditor's relationship is largely with the audit committee, and not the shareholders who appoint them and to whom they should report. Conversely, some jurisdictions highlight the working relationship between the external auditor and executive management. In China, boards are required to make full use of the audit findings. In the end, it should be noted that the work of external auditors is undertaken on behalf of shareholders.

3.3 Effective communication

Although it was not always possible to obtain a complete understanding of the disclosure framework and channels used for regulatory information disclosure, all FSB member jurisdictions place significant importance to this principle and it is generally observed. In this respect, as a rule, jurisdictions have in place legislation, including secondary acts, issued by the relevant regulatory authority and/or stock exchange rules which aim to ensure that regulatory information (such as ongoing and periodic financial and non-financial information) is effectively, quickly and broadly disseminated to all sections of the market and broader public, including cross-border investors. Such legislation and rules are designed to enhance the efficiency and integrity of disclosure and help to reduce the risk of informational asymmetry. Many of these frameworks require timely disclosure, use methods that ensure the integrity of the information, and access to disclosed information for several (usually five) years. Disclosure frameworks in practically all jurisdictions include requirements to publish regulatory information on the company website, where it should be easily accessible and free of charge to all interested persons. In the majority of the jurisdictions surveyed, the disclosure framework is enhanced by an electronic submission and dissemination system run by either the securities market regulator or the stock exchange. In order to improve investors' ability to find disclosed information, several jurisdictions require the firm to publish concise information on an electronic retrieval system linked to its website where full information is disclosed.

Comprehensive disclosure requirements with respect to communication channels may include a combination of the following: submission to the e-system of the securities regulator or stock exchange, publication in specific media, publication on the company's website, provision of copies at the company headquarters, and electronically on shareholders' request.

Some jurisdictions require the financial institution to publish information in a national newspaper, but this is generally the same information that is required to be provided to shareholders before the general meeting.

4. The responsibilities of the board (Chapter VI)

At the highest level, the board is responsible for setting the strategic direction of the financial institution and overseeing management. More specifically, it is responsible for overseeing the implementation of the firm's strategy, monitoring its performance, setting its risk profile and overseeing risk management, and ensuring the efficacy of public disclosures. In fulfilling these responsibilities, the board should act in the best interests of its various stakeholders – shareholders, employees, creditors and the local community – while meeting regulatory expectations to ensure that conflicts of interest are avoided.

4.1 Acting on a fully informed basis and in good faith

As discussed in section 2.1, laws, standards, codes and regulatory arrangements describe the board's fiduciary obligations. Specific requirements however vary widely, especially given the different corporate governance frameworks that exist among jurisdictions.

Some key issues arising include:

Independence

While most jurisdictions have requirements in place to detect and prevent possible conflict of interests, very few specifically reference the importance of independence. Little is said about the questions of individual responsibility and of board collective responsibility, and the conflicts that may occur and difficulties in terms of accountability that may arise.

Culture

Business and risk culture, and setting the tone from the top, are other areas that warrant attention. With respect to risk culture, it is important to understand how the financial institution is governed internally, its segregation of duties and responsibilities, how information flows, how decision-making is carried out and what types of topics appear on the board agenda. The tone from the top strongly influences governance and decision-making throughout the financial institution.

Sanctions

Most jurisdictions and regulatory authorities have a range of potential sanctions available to correct unsafe or unsound practices as they relate to corporate governance or even the practices of the financial institution more broadly. Generally, the sanctions range from informal, non-legally binding arrangements or agreements between a regulatory authority and a financial institution that identify weaknesses and steps that must be taken to correct the problem, to formal, legally binding and enforceable actions that are typically used when the weaknesses are more severe. Sanctions may involve fines or penalties and can be taken against the financial institution itself, a board member, key executive or other individual employed by the financial institution. Sanctions against investors may be imposed either by regulatory action, such as compensation or other rectification, or through the courts. Jurisdictions have taken different approaches in sanctioning misconduct, including:

- In some cases individuals may have personal liability for losses arising. For example, in the US individuals may be personally liable for losses resulting from his or her breach of fiduciary duties. In Brazil, banking law states that managing directors of financial institutions are responsible for liabilities incurred during their term until they are settled. In Turkey, the board is liable for losses that may harm the company, stockholders and creditors through negligently contravening the Turkish Commercial Code.

- Under CRD IV[47] (applicable to all European Union domiciled banks) a number of countries have introduced the potential to withhold and withdraw elements of variable remuneration under malus provisions and to claim back variable remuneration already paid via clawback provisions.

Board qualifications

The European Union has adopted measures to encourage the board members of financial institutions to be of good repute and probity, and have sufficient knowledge and relevant skills and experience to serve on the board. Under CRD IV (applicable to all European Union domiciled banks), competent authorities have the power to withdraw the authorisation of a credit institution or investment firm if their board members are no longer of good repute or no longer possess sufficient knowledge, skills and experience to perform his/her duties. This assessment is usually performed by the relevant supervisory authority and based upon the fitness and propriety of board members.

The Solvency II Directive[48] (applicable to all European Union domiciled insurers above certain thresholds) sets out fit and proper requirements that include "proof of good repute" that is demonstrated by a directors' behaviour. At all times board members must ensure that their professional qualifications, knowledge and experience are adequate to enable sound and prudent management (fitness); and that they are of good repute and integrity (proper) under national law. The fitness requirement applies on an individual basis and it is suggested that it also be applied to the board collectively.

Business judgement rule

A defence against non-compliance with duty of care and diligence requirements as they relate to business judgement, often covers good faith, absence of material personal interests, having relevant and appropriate information and rationally believing that the judgement exercised is in the best interest of the financial institution.

Most countries have requirements set out in legislation or standards and codes requiring directors to act competently, diligently, prudently and in good faith, using their skills and experience, based on adequate information and free from conflict of interests. Accordingly, defences for personal or collective responsibility often include demonstrating there was no fault or negligence, having acted with prudence, there were no conflicts of interest, and evidence that action had been taken to prevent or stop continuing losses. A number of respondents, including

---

[47] CRD IV is European Union legislation applicable to banks and investment firms that implements the Basel III capital requirements through a Capital Requirements Directive and a Capital Requirements Regulation. CRD IV includes enhanced requirements for the quality and quantity of capital, a basis for new liquidity and leverage requirements, new rules for counterparty risk; and new macroprudential standards including a countercyclical capital buffer and capital buffers for systemically important institutions. It also makes changes to rules on corporate governance, including remuneration, and introduces standardised regulatory reporting within the European Union.

[48] The Solvency II Directive is a harmonised, sound, robust and proportionate supervisory framework for insurance and reinsurance companies. It consists of three pillars: (1) calculation of capital reserves; (2) management of risk and governance; and (3) reporting and disclosure.

Argentina, Australia, Brazil, Canada, Germany, Italy, Spain, South Africa, Switzerland, and the United States, referred specifically to a "business judgement rule" being in place. Some notable features are illustrated in the following examples.

- In the US the rule imposes a presumption that when making a business decision, directors have acted on an informed basis, in good faith and in the honest belief the action taken was in the best interest of the corporation and its shareholders and if the business judgement rule is applied the court will not substitute its own judgement over that of the board.
- In Canada, in the context of corporate law private rights of action the Supreme Court has applied the business judgement rule to shield decisions made in good faith and within a range of reasonableness.
- In Italy, the directors' duty of care (act in an informed manner, pursue the best interests of the company etc.) is set forth in the general company law. In practice, the courts apply "the business judgement rule" and in so doing are not permitted to rule on the appropriateness of directors' management decisions as long as such decisions are adopted without conflicts of interests and according to the ordinary professional diligence. Judges shall however, determine if a decision was made on an informed based and in compliance with professional diligence and applicable legal provisions, including on conflicts of interests.

Many jurisdictions have in place Codes and Standards which include some coverage of these areas. Addressing conflict of interests is often seen as an important element.

Oversight functions

Strong emphasis is often given to the oversight of the control functions, such as risk management and internal audit function.

However, there are some apparent weaknesses which may benefit from further work. For example, many of the codes apply at the parent listed company level and are not necessarily applicable to subsidiaries within a group, or the code is written at a high level. As such, clearer, more prescriptive requirements may provide a sounder case in the event of non-compliance with a particular rule or standard.

External auditors

While in some cases external auditors are technically appointed by, and report to, shareholders, the practical reporting line oftentimes is to the board and board audit committee; they are also frequently responsible for oversight of the external auditor. As a consequence, disclosures to shareholders are oftentimes more formulaic and therefore less informative. A less compliance-oriented approach to disclosures may result in more useful discussions with shareholders and, in turn, enhance their focus on risks confronting the institution.

Group oversight and RPTs

Groups and the internal arrangements such as the relationship between a parent and its subsidiaries are worthy of further consideration. Issues of potential concern include lines of sight covering effective intra-group oversight, reporting and escalation, and RPTs.

As highlighted in section 3 of this report, identifying RPTs and setting materiality thresholds for transactions to be reviewed by the board remains challenging in some jurisdictions, and particularly for financial groups. Appropriate thresholds help direct the attention of the board to material or significant RPTs that present the greatest level of risk to the institution. In India, certain materiality thresholds for RPTs are prescribed in law and when reached, shareholder approval of the transaction is required.

Shadow directors

One key policy issue in board liability relates to who can or should be considered a board member, for the purposes of assigning liability should something go wrong. In this respect, the questionnaire asked if the jurisdictions had included the concept of "shadow director" (i.e. someone who is not appointed as a director but who gives directions or instructions that the directors of the financial institution are accustomed to act upon) into their company laws. With a shadow director provision in place, regulators and shareholders could presumably hold parties who influence the board liable, including significant shareholders and other members of company or financial groups, making the provision a potentially powerful tool for imposing sanctions on the "real" decision makers.

In fact, only Australia and the United Kingdom noted that they have a "shadow director" framework within their corporate law, in line with the common law legal tradition. Ten of the remaining FSB jurisdictions do not formally have the concept of "shadow director", but have extended the concept of director to achieve the same goal.

One approach is provided by the United Kingdom, in its new Senior Managers Regime (SMR; introduced in 2016). The SMR explicitly includes group managers within the "responsibility regime" – a clear use of the application of the concept of shadow director and applying it to regulatory responses (UK Senior Manager Function #7).

Box 1: The United Kingdom's Senior Managers Regime

The United Kingdom's Senior Managers Regime (SMR) was introduced in 2016. It is a new initiative, covering banks regulated in the UK, intended to strengthen individual accountability and corporate governance in the UK. The Senior Insurance Managers Regime (SIMR) is a similar initiative for UK regulated insurers.

The SMR requires a clear allocation of responsibilities to the most senior individuals in firms and enhances the UK regulators' powers of approval, supervision and enforcement.

It focuses on the most senior individuals in firms, the key members of the board and the top layer of senior management and the heads of key control functions – internal audit, compliance and risk management.

The SMR also covers Group Entity Senior Managers, namely those individuals perhaps based in a group or parent company who exercise direct and significant influence over the way a firm carries out its regulated activities in the UK

The SMR is complemented by a new Certification regime, which requires UK regulated firms to periodically assess the fitness and propriety of risk-taking employees and is underpinned by a set of binding, individual conduct rules.

In practice, this means that individuals at the parent or elsewhere within the financial group who exercise significant influence over the financial institution's activities are now automatically included as "Shadow Directors" and thus held accountable by regulators (but not shareholders); for regulatory purposes). The SMR is thus an example of how to ensure that liability is properly established within company groups.

4.2 High ethical standards and the interests of stakeholders

The Principles state that the board should apply high ethical standards. The draft Methodology contains an essential criteria that "The corporate governance framework requires or encourages companies to develop under the board's supervision a code of ethical behaviour covering, inter alia, compliance with the law and professional standards, and setting clear limits on the pursuit of private interests by employees, and to communicate them throughout the organisation."

Many financial institutions have found it useful to develop company-wide codes of conduct, setting the framework for the exercise of judgement in dealing with varying and often conflicting constituencies. An explicit code of ethics is also important because it transmits the firm's commitment to behave ethically to all stakeholders. To increase transparency, boards are required to report regularly on compliance with the code by board members and employees, and the implementation actions taken by the company.

All FSB member jurisdictions explicitly state that boards are required to behave in an ethical manner, and most mention the need for institutions to have strong values and culture, and the need for boards to instil ethical behaviour through organisation. How this requirement is implemented in terms of a code of ethics or conduct, varies. Nine respondents reported no requirement for a code of ethics, or for only some components of a code. Twelve countries did report requirements, with implementation evenly split between codes of ethics implemented through mandatory regulation, through codes of corporate governance or those specific to the financial sector. In Korea, for each type of financial institution (banks, mutual savings banks, financial investment businesses, life insurance companies, non-life insurance and credit-specialised financial businesses), regulators have put in place a standard code of ethics, providing a detailed code of conduct to encourage ethical management of financial institutions.

Table 1: FSB member jurisdictions reporting a recommendation or requirement for a code of ethics

	Number of responses
No code	6
No code of ethics required but components of a code are required	3
Yes (through a comply or explain or voluntary code)	5
Yes (through mandatory regulation)	3

Yes (for banks or other financial institutions only)	4
Standard code imposed by government regulation	1
Total	**22**

4.3 Board evaluation and governance effectiveness

Self-assessment by boards of their performance as well as performance reviews of individual board members have emerged as an effective tool for monitoring the effectiveness of the board.

While the majority of FSB member jurisdictions require the evaluation of the board's performance, some details concerning the assessment (e.g. frequency, criteria for self-assessment and disclosure) are frequently not addressed. While not required by the Principles, more detailed guidance to financial institutions, especially on minimum risk management requirements and remuneration practices, could strengthen the quality of board evaluations. Practices are rapidly evolving in this area and regulation may not be keeping pace.

The practice of self-assessment is a specific recommendation in the corporate governance frameworks of countries such as Canada, France, Italy, Japan, Russia, Singapore and Switzerland. On the other hand, a few jurisdictions do not explicitly require boards to assess their effectiveness. The practice of periodically engaging an external facilitator to provide independent feedback as part of the evaluation process exists in a few jurisdictions (e.g. France, Hong Kong, Russia, Spain and Switzerland). Further, the practice of disclosing the assessment process and/or its outcome, which may include measures such as need-based training of directors, review of process and controls, even seeking resignation or appointing new directors, etc. exists in jurisdictions such as Canada, France, Japan, Korea, South Africa and Spain. Such disclosures can provide shareholders with a sense of the degree of effectiveness and functioning of the board.

While not required by the Principles, more guidance from national authorities on the criteria for the board self-assessment would be helpful for practical implementation and integration within the financial institution's own corporate governance framework.

Italy provides a good example of guidance on board self-assessments. Its banking regulations require boards to undertake a self-assessment and provides detailed guidance on how it should be performed (for example, the self-assessment shall be performed annually, cover both the composition and functioning of the board and be steered by the non-executive chairman of the board).

Board evaluations are just one approach to giving shareholders and other stakeholders better indicators of the true performance of the board. Traditionally, shareholders have expressed their satisfaction with the board members and their performance in the Annual General Meeting by asking questions and by voting in support of the board, although frequently with limited information available. However, some countries encourage board members to engage directly with institutional investors and other shareholders, outside of the shareholder meeting. This practice allows shareholders to express their concerns about the performance of the board and other matters.

In financial institutions, the board's effectiveness is also assessed through the supervisory process. This can be a powerful tool to bring boards in line with good practice. However, investors should not rely on the supervisors or substitute their work for effective board evaluations since regulatory assessments often have different objectives (e.g. profitability versus safety and soundness). Box 2, below, describes elements of a governance review – which are illustrative of the practices in certain jurisdictions – that supervisory authorities may find useful in their assessment of board effectiveness.

In most cases, the effectiveness of the board is assessed by supervisors as part of their broader assessment of sound and prudent management of the firm. These results of the assessments are typically not made public or shared with shareholders unless some supervisory enforcement action is taken to correct a significant weakness. As such, shareholders are generally not aware of less significant, but still important weakness and may therefore assume that the board's performance is satisfactory. While not required by the Principles, access to information, or the supervisor's assessment could be helpful for shareholders. Others stakeholders' assessment of the effectiveness of the board or the governance framework is broadly non-existent.

Box 2: Assessing board effectiveness: Governance reviews

Governance reviews are an important tool that can assist supervisors in their assessment of the effectiveness of an organisation's board and senior management. They can take a number of forms ranging from continuous, ongoing evaluations to more discrete and focussed organisation specific or wider thematic assessments.

How to undertake a governance review

Successful reviews should consider both the design and effectiveness of the governance arrangements in place. Since most governance rules, codes and standards focus more on the **design** elements, the objectives of a review should not only assess adherence to those requirements but also identify strengths and weaknesses in the **effectiveness** of an organisation's governance arrangements.

Design	This may be assessed by way of a desk based review examining the governance framework using, for example, structure charts, policies and procedures and other relevant documents and records.
Effectiveness	Reviewing effectiveness inevitably requires a greater degree of judgement. This involves an assessment of, for example, board members' and senior management's skills and experience, their understanding of the business and the extent to which the board discusses and debates issues and holds executive management to account. Typically, these elements are best understood by conducting face to face interviews with a range of individuals drawn from the board and senior management (and sometimes more widely), and observing a meeting of the board or a committee. Using a case study (around a key decision or event) can enable the review to focus on the actual process followed by an organisation in order to test the firm's governance in practice.

Key areas to consider

Key areas to focus on include: setting strategy; setting risk appetite, risk management and internal controls; board composition; the respective roles of executive, non-executive and independent directors; knowledge and experience of non-executive directors; board time and resources; the work of board committees; management information and transparency; succession planning; remuneration; subsidiary boards within a group context; and, importantly, the implementation and effectiveness of these in the light of the organisation's culture.

Outcomes from the review

The review can help determine what, if any, additional action is required by the firm or supervisors. This may include deciding the remedial actions the organisation needs to address and what future additional monitoring of governance should be undertaken as well as identifying the triggers which would necessitate additional supervisory intervention.

4.3.1 Governance effectiveness

The Principles note that a key responsibility of the board is to monitor the effectiveness of the company's governance practices and make changes as needed. Many jurisdictions focus on the evaluation of the effectiveness of the board itself but not on the evaluation of the effectiveness of the overall governance framework put in place by the financial institution itself.

Many regulators place ultimate responsibility for the governance framework on the board and expect that this focus provides sufficient incentive for the board to monitor and assess the adequacy of the governance framework. In some jurisdictions, the responsibility and assessment of the effectiveness of the governance framework is only addressed in recommendations but not in regulation itself. However, in some jurisdiction there is an explicit requirement to evaluate the effectiveness of the governance in the banking sector. This could serve as an example for other jurisdictions and sectors.

Brazil takes this a step further, empowering regulators to impose financial consequences/penalties in cases where the system of governance is found to be inadequate. Under Solvency II and CRD IV/CRR governance deficiencies can also lead to an increase of the financial requirements ("capital add-on") as the supervisor is provided with the broad power to do so.

4.4 Key functions of the board

Clear board responsibilities are generally in place across FSB member jurisdictions. In many cases, rules setting forth the functions of the board (e.g. board oversight of the effectiveness of key control functions) are applied through comply-or-explain corporate governance codes; the effectiveness of which depends upon the robustness and influence of the corporate governance code.

4.4.1 Succession planning

Although the Principles require that boards oversee succession planning, many jurisdictions in fact do not require or encourage boards to oversee the process, or to have a succession plan in place as suggested by the Methodology. Nevertheless, many financial institutions, especially larger firms, are implementing this requirement. To some degree, the banking sector appears to be moving more quickly with respect to succession planning requirement than is the case in the insurance sector. Insurance companies seem to focus more on the general requirement to ensure, on an on-going basis, the fitness and propriety of the board and its members.

Going forward, it is recommended that each jurisdiction (and each regulator) clarify their requirements for succession planning (for the board, and in particular the chairperson and senior managers, and the need for a plan) as necessary.

In Australia, for banks and insurers, there is a requirement for a formal policy on board renewal in place which must also include details regarding the appropriate skills and expertise. Singapore's corporate governance guidelines state that the management of succession planning should be an active ongoing process, integrated within the institution's strategic plans, and for the nominating committee to make recommendations to the board on succession plans for directors, in particular the chairman and chief executive officer. In Canada and for banks in Hong Kong, regulatory guidance suggests that firms have a succession plan that is approved by the board, for the chief executive officer, board members and members of senior management, e.g. for the head of oversight functions. In addition, in Hong Kong, listed companies are required to have plans in place for orderly succession for board appointments. At the European Union level, no specific requirement or recommendation regarding succession planning is in place, but it is indirectly addressed through fit and proper requirements that address competencies, skills and professional experience. In Italy, mainly for banks, the recruitment approach and the selection of board members must be disclosed or the corporate governance report should disclose the mechanisms of succession planning. In Korea, disclosure is an option but not mandatory.

In the United States, companies listed on the New York Stock Exchange are required to adopt and publicly disclose corporate governance guidelines that address management succession. In the banking sector, (supervisory) examination programs monitor whether a bank has a well-defined personnel management program to ensure, for example, orderly succession. In insurance, in the United States, supervisors in twelve states receive information on succession planning on an annual basis as required by the Corporate Governance Model Act and this is expected to become an accreditation requirement of the National Association of Insurance Commissioners in 2020. In addition, most states receive information on, and evaluate the effectiveness of, succession planning through onsite exams that are conducted every three to five years.

Going forward, it is recommended that each jurisdiction (and each regulator) consider clarifying their requirements for succession planning as necessary. Although not required by the Principles, national authorities and/or firms may want to consider incorporating in law, regulation or corporate governance guidelines, as appropriate, the suggested role of major shareholders in this process, details on how the succession plan relates to the strategy of the firm, and provide standard disclosure guidelines for how succession plans should be disclosed. Providing the succession plan to the relevant authorities could enhance supervision in this area.

4.4.2 *Nomination and appointment process*

Consistent with the OECD Principles, many, but not all FSB member jurisdictions require that financial institutions have a nomination and appointment process in place, whose integrity is safeguarded, and in which the nomination or selection committee – comprised of board members – usually plays an important role. The process includes the definition of the criteria for nominating and selecting board members and key executives. Regarding board committee independence, as discussed in section 4.5.1, not all jurisdictions require independent directors to chair key committees such as audit, risk management, remuneration and nomination, or that all or a majority of the members are independent.

In Japan, Singapore, South Africa and Hong Kong the composition of the nomination committee must meet certain requirements; for example, a majority of the directors must be non-executive directors. Such a requirement avoids a situation where board members appoint other board members. The European Union and its Member States have a similar requirement that applies to significant institutions. Russia requires that independent directors comprise a majority of the nominating committee for Tier 1 listed companies, and exchange listing requirements in the United States go further by requiring that for publicly listed institutions, the nominating committee be composed entirely of independent directors.

Public disclosure practices as they relate to the board nomination, including the criteria for nominating individuals to the board, and selection process differ widely. It is not clear however, whether the disclosure of the process is mandatory as part of the information to the general meeting in which the board members are elected. In some cases, details concerning individual candidates are disclosed but not necessarily the process itself, for example, how and why a particular candidate was selected.

Examples of this include Japan, where it is good practice to disclose details to the market before the general meeting about the candidates, the process, policies and procedures. Similar transparency measures are taken in Hong Kong and in India where a Stakeholders Relationship Committee is required.

4.4.3 *Management of and addressing potential conflicts of interest*

Principle VI.D.6 calls for boards to "monitor and manage potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions." In order to successfully carry-out this responsibility, boards should, at a minimum, oversee a system of internal controls designed to facilitate monitoring and managing potential conflicts of interest and manage self-dealing and RPTs. Boards should also manage self-dealing and RPTs while acting in the best interests of the financial institution and its shareholders.

Jurisdictions tended to answer in one of three ways:

- Some discussed the duties of directors to avoid conflicts of interest and the process for managing conflicts at the board level (through board disclosure). These responses overlapped heavily with the discussion of fiduciary duties (see section 4.1, above).
- Some mentioned the link between managing conflicts of interest at the board level and the need for objectivity on the board. These responses overlapped heavily with the

discussion of about the importance of board objectivity and the presence of independent directors on the board (see section 4.4, below).

- Others summarised frameworks for managing specific conflicts of interest – especially frameworks for review and approval of RPTs.

When RPT approval was discussed, all jurisdictions noted the requirements for boards or a committee thereof to approve RPTs (or material ones). In some cases, board decisions vis-à-vis RPTs require independent directors to give a unanimous decision. Approval of larger RPTs may need to be taken by shareholders at the general shareholders meeting, with notification of these RPTs provided to the regulator. In some jurisdictions the involvement of an external appraisal, or in some jurisdictions the external auditor, is required to evaluate RPTs.

Some jurisdictions, such as France, who discussed problems associated with the review and approval of RPTs, identified a number of key challenges. These include (a) identifying related party transactions, and (b) setting materiality of RPT that require review by the board. Some respondents provide a number of exclusions of related party transactions that must be approved by the board (e.g. those transactions "in the ordinary course of business"); in this case observers worry that the requirements are too easy to circumvent. However, the opposite problem is also troubling – a lack of materiality thresholds, meaning that all related party transactions are approved by the board, and board meetings may be dominated by the approvals of many small transactions.

Another element of the framework in many countries is final approval by shareholders, either for transactions where the board cannot decide, or those that pass additional materiality thresholds. Approval by shareholders can be expensive and slow down normal commercial activities. On the other hand, it may shed a light on potential insider dealing and can incentivise financial institutions, and boards more specifically, to more carefully manage potential conflicts of interest.

This apparently continues to be a serious issue in several jurisdictions. Although significant work has been done on the subject, it warrants further investigation.

4.4.4 Integrity of the accounting and financial reporting systems

In almost every FSB jurisdiction, the board plays a leadership role in the context of risk oversight. The board is ultimately responsible for approving the risk framework and internal control system of the entity. In pursuing its role, in most jurisdictions the board is supported by committees such as an audit committee and a risk committee, and by a unit in charge of the internal audit function. In some jurisdictions however, rules are applied through comply or explain corporate governance codes, the effectiveness of which depends upon the strength of the code itself. It was also observed that some regulatory authorities do not provide a significant level of detail when it comes to the requirements for an adequate risk management system.

In many jurisdictions the board or a committee of the board is required to review the financial institution's risk management framework and internal control system at least annually (the frequency usually depends on the risk complexity of the entity) and present the results of such assessment to the board.

In this context, the following good practices were observed: (i) in Australia (for institutions overseen by the prudential regulatory authority), Brazil, the European Union and its Member

States, the public disclosure of the management responsibilities and internal control and risk management structure is required; (ii) in Australia (for institutions overseen by the prudential regulatory authority) and Canada, the chief executive and chief financial officer of securities firms are generally required to certify the integrity of internal control systems; and (iii) in Hong Kong, the board (or the audit committee) should periodically review the design and effectiveness of the financial institutions' internal control systems.

Almost all jurisdictions have requirements in place that provide for officials responsible for key control functions, including the external auditor, to have unrestricted access to either the board of directors or to a board committee. Alternatively, the reporting line of key control functions must be independent from business lines/management.

In general, jurisdictions did not give enough information regarding the implementation of the tone from the top in the context of risk culture. Australia mentioned that such approach is new and not yet fully implemented by banks, given the early stages of understanding risk culture.

Tone from the top is a critical element of a sound risk culture. In this context, most jurisdictions assign responsibility to the board (or the chairman or key management) for setting the tone regarding risk culture. They do not however, specify any requirements or standards on how it should be fulfilled in practice. Despite this scenario, as discussed below, it was possible to observe some good initiatives.

In Hong Kong, the board and senior management of banks are required to create a strong corporate and risk management culture, and ensure that the bank's risk appetite is well enshrined within its culture. Developing a risk appetite statement and cascading the risk appetite down to various business lines is said by some banks as a way to set and communicate the tone from the top as it relates to risk culture. Regular monitoring and reporting of risk limits to the board and senior management, including immediate reporting and escalation of limit non-compliance, provide an indication of whether the risk appetite has been clearly understood and embraced by staff at all levels.

Some practical examples cited by banks in Hong Kong on how to set and communicate the tone from the top include establishing clear consequences for non-compliance with risk limits and controls and rewarding staff for exemplary behaviour; regular multi-channel communications; staff training; conducting employee risk culture surveys; and risk culture metrics.

In Australia, the prudential regulator has recently issued a standard that requires the board form a view of the risk culture in the bank and identify and address any desirable changes to the risk culture. The introduction of this requirement has resulted in risk culture becoming a key focus for boards in that country.

Finally, German rules for banks are under review and the aspect of an appropriate risk culture will be required more explicitly. The revision is expected to establish that (i) the members of the management board have the responsibility to develop, promote and integrate an appropriate risk culture within the institution and the group; and (ii) a code of conduct shall be developed as part of the organisational guidelines of the institution, which will have to be set down in writing and communicated to the staff members in a suitable manner.

4.5 Independent judgement

The Principles call for boards to "be able to exercise objective independent judgement" and to "consider assigning a sufficient number of nonexecutive board members capable of exercising independent judgement to tasks where there is a potential for conflict of interest." The draft Methodology sets the essential criterion for compliance with Principle VI.E.1 as establishing "proportion of the board to be independent" and mentions the "separation of the role of chief executive and chair" as good practices.

Most countries have recommendations and regulations for boards to act objectively and independently. All countries also have specific recommendations or requirements for boards to include independent members, but the representation of independent directors varies significantly, from a majority of board members in the US and UK to roughly one-third of the board (e.g. Italy, Turkey, Spain, Saudi Arabia, Hong Kong) to a discrete number in other cases, such as Germany. In Canada, although federally regulated financial institutions are required to have a discrete number of independent board members, there is no such requirement for securities regulations (provincial). Instead, there are disclosure requirements pertaining to whether or not a majority of directors are independent and, if not, what the board does to facilitate its exercise of independent judgement when carrying out its responsibilities. Some standards specify directors must be independent and others refer only to non-executive directors.

A few countries address the question of proportionality and set separate independence requirements for different sizes of companies:

- In the United Kingdom – under the Code of Corporate Governance, at least one-half of the board should be independent non-executive directors. But smaller companies (defined in the regulations) only need at least two independent non-executive directors.
- In Singapore – regulations require that a majority of board members of Tier 1 (larger) insurers must be independent, while Tier 2 (smaller) insurers are only required to have one-third of the board represented by independent directors.
- In Spain – the Good Governance Code of Listed Companies requires that independent directors comprise at least half of the board. Exceptions to this requirement apply to smaller capitalised firms and those large capitalised firms that have shareholders who, individually or collectively, control over 30% of the capital. In such cases, independent directors should comprise at least, one-third of the board.

A key element of board independence and objectivity that is widely debated is the separation of the positions of chairman and chief executive officer. The Principles state that separation of the two posts is generally regarded as good practice and a majority of FSB member jurisdictions require or recommend that the two positions should not be combined (see Table 2 below).

Table 2: Requirements for the separation of the position of chairman and chief executive officer in publicly listed financial institutions

	Explicit chair / chief executive officer separation?
Argentina	No

Australia	Required
Brazil	Recommended
Canada	Recommended
China	Automatic (two-tier board)
France	Recommended
Germany	Automatic (two-tier board)
Hong Kong, China	Recommended
India	No (for listed companies) Required (for banks)
Indonesia	Automatic (two-tier board)
Italy	Recommended (for listed companies) Required (for banks)
Japan	No
Korea	No
Mexico	No
Netherlands	Required
Russia	Required
Saudi Arabia	Required
Singapore	Required (for banks, insurers, financial holding companies, approved exchanges and clearing houses (and their holding companies); recommended (for other listed financial institutions)
South Africa	Recommended
Spain	No
Switzerland	Required (for banks, insurers and FMIs); recommended (for other types of listed financial institutions)
Turkey	Required
United Kingdom	Recommended
United States	No

4.5.1 Board committees

The Principles state that boards should consider establishing specialised committees to support it as it carries out its duties. Most jurisdictions require or recommend that financial institutions establish board committees and may also require a certain composition. Typical board committees that are required include audit, risk management, remuneration and nomination and in most jurisdictions the committee is chaired by an independent director (Brazil and Japan, for example, are exceptions) and/or a majority, or in some cases all, of the committee members must be independent (Brazil, South Africa and Mexico are exceptions).[49, 50] In a few jurisdictions, Germany, Mexico, Hong Kong, France, etc., requirements concerning board composition differ across the various financial sectors. Some jurisdictions may also require other committees; examples include a Stakeholders' Relationship Committee in India and a Corporate Governance Committee in Saudi Arabia, and Turkey. Tables summarising practices of support provided to the board by board committees are included as Annexes E, F and G.

It may be appropriate to undertake work to better define the roles and responsibilities of independent directors in the board and board committees.

4.5.2 Commitment of board members

The Principles state that board members should be able to commit themselves effectively to their responsibilities, and suggest that disclosure related to a board members commitment could be helpful for shareholders. Most jurisdictions have a broad principle of disclosing material information or requirement of placing the curriculum vitae of each director before the shareholders. Jurisdictions such as European Union Member States, India and Japan have requirements that limit the number of directorships that an individual director may hold. This practice helps to ensure that a director has sufficient time available to properly carry-out his or her responsibilities and reduces the potential for conflicts of interest. While Singapore's Code of Corporate Governance does not specify the number of directorships that a director can hold, it recommends that boards of financial institutions should determine the maximum number of listed company board representations which any director may hold, and disclose this in the company's annual report. Hong Kong and Turkey also specify that prior to assuming the role of director, an individual ensures that he or she has sufficient time available to discharge their role. India, China, Saudi Arabia and Spain also require induction trainings and ongoing training for directors. Some jurisdictions such as Hong Kong, Brazil and Switzerland require the disclosure of training provided to directors.

Financial institutions should consider enhancing their training programmes for directors, both at the time a director is originally appointed and on an ongoing basis, and the disclosure thereof.

4.5.3 Assessment of competencies and experience of directors

Assessment of the qualifications of board members are called for by the Principles. Almost all the jurisdictions require assessment of various attributes such as skills, competence and experience at the time of appointing directors with a view to strike a balance in the board. Annual reassessment is also the norm in almost all of these jurisdictions. In a significant number of jurisdictions such as Hong Kong, India, Russia, Singapore, Switzerland, United Kingdom and the United States of America, the regulatory agencies approve the appointment of directors in certain types of financial institutions (e.g. banks).

---

[49] In the EU, for example, Member States have to ensure that institutions that are significant in terms of their size, internal organisation and the nature, scope and complexity of their activities establish committees composed of members of the management body who do not perform any executive function in the relevant institution.

[50] In Brazil, financial institutions that are deemed systemically important based upon their size or international activity are required to establish a risk committee that is chaired, and with a majority of the membership, being independent.

Financial institutions are advised to regularly assess the professional competencies and experience of individual directors.

4.6 Access to accurate, relevant and timely information

The Principles state that in order to fulfil their responsibilities, board members should ensure that they obtain accurate, relevant and timely information, and that where companies rely on complex risk management models, board members should be made aware of the possible shortcomings of such models.

Every respondent mentioned, in one way or another, that the board is entitled to ask for any type of information produced by the financial institution's staff and committees. Nevertheless, less than half of the respondents mentioned the ability of the board to request an independent opinion or other independent advice (legal, for instance) at the company's expense. Although this practice is not required by the Principles, the Methodology suggest that board should have access to information or an external opinion for proposed transactions or activities that fall outside the company's routine course of business. In Turkey, whenever an opinion of independent specialists is obtained, it must be disclosed in the annual report whether this person/institution has any relation with the corporation. The Australian exchange, through a comply-or-explain based corporate governance code, recommends that the board establishes a policy describing how and when directors may seek independent professional advice at the expense of the entity (which generally should be when directors, especially non-executives, judge such advice necessary for them to discharge their responsibilities). As well, listing rules in the United States require that certain board committees, such as the audit committee, have the authority to engage outside counsel and advisors. Finally, in Spain, the Good Governance Code of Listed Companies, recommends that firms should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending, if necessary, to external assistance, at the company's expense.

5. The rights and equitable treatment of shareholders and key ownership functions (Chapter II)

Financial institutions have a myriad of stakeholders, one of the most important of which is its shareholders. Corporate governance frameworks therefore require that shareholder rights are upheld and can be properly exercised. One such right is the ability of shareholders to make their views known on the remuneration of board members and key executives. In this regard, shareholders should be informed of the remuneration policy as well as the total value of compensation arrangements made under the policy and how remuneration is linked to the firm's performance. Say-on-pay can be carried out through various different means, for example, binding or advisory votes, individual and/or aggregate compensation or a vote on the remuneration policy and/or actual remuneration paid, and is one way in which the strength and tone of shareholder sentiment is conveyed to the board. The Principles require shareholder approval of equity schemes either for individuals or the scheme as a whole.

5.1 Shareholder views on remuneration policies

Shareholders should be informed and have an opportunity to express views on the remuneration policy and/or the total amount of compensation paid according to the policy. They should also know – for purposes of assessing the capability of the board and qualities of future nominees – how the policy links remuneration and company performance.

The remuneration policy should be consistent with the broader objectives of the financial institution and its risk appetite, and in so doing should reflect the business and risk strategy, corporate culture and values and long-term interests of the institution. It should also take into account the long-term interests of shareholders.

Requirements in FSB member jurisdictions concerning the way in which shareholders express their views on the remuneration policy vary widely. In Spain and the UK, for example, companies must put the remuneration policy to a binding vote by the shareholders at least every three years. Additionally, in Spain an advisory vote on the remuneration report is required. If the report is rejected in the annual general meeting, the remuneration policy applicable for the following year must be approved at the annual general meeting prior to its coming into force. Others, such as Australia, require an advisory vote on the remuneration report that, if not approved by 75% or more of shareholders on either of two consecutive annual general meetings, can result in the board having to stand for re-election. Shareholders can exercise this power if 50% or more of votes cast at the second annual general meeting are in favour of a "spill". A number of jurisdictions do not require a shareholder vote on the remuneration policy and several, benefitting from lessons learned during the financial crisis, are considering revising their rules in this area. The corporate governance framework as it applies to shareholder approval of remuneration policies is under review in the European Union. If approved, the Shareholders Rights Directive would grant shareholders a say on the remuneration policy. A similar requirement, that banks and investment firms submit their remuneration policies for shareholder approval on an annual basis, is already in place in Italy. Until the Shareholder Rights Directive is approved in the European Union, CRD IV, as it applies to credit institutions and most investment firms, requires that the supervisory board, not the shareholders, adopt and review the general principles of the remuneration policy.

Although the Principles do not prescribe what should be included in a remuneration policy, most discuss the governance framework for remuneration, including oversight of remuneration practices and remuneration committees, the structure of remuneration, the methodology for determining remuneration, control functions – both internal and external – for remuneration, and transparency. Many FSB member jurisdictions, including China, Indonesia, Italy, Korea, and South Africa, require that boards of financial institutions establish a remuneration committee. Some go further and require that the chair of the committee be an independent director and/or that a majority of the members of the committee be independent directors. Listing rules in the United States and Russia[51] require that listed companies have compensation committees composed of independent directors. With respect to the structure of remuneration, the most commonly observed regulatory restriction concerns the ratio of variable to fixed compensation. Where such a restriction exists then, in most cases, an employee's variable pay cannot exceed 100 percent of fixed compensation.

5.2 Shareholder information about the composition and value of remuneration packages

It is important to distinguish between the remuneration policy and the remuneration report, the latter being a report to shareholders on the composition and value of remuneration to board members and key executives.

[51] For Tier 1 listed companies.

6. The role of stakeholders in corporate governance (Chapter IV)

Stakeholders, including individual employees and their representative bodies, should be able to freely communicate their concerns about illegal or unethical practices to the board and to the competent public authorities and their rights should not be compromised for doing this. The need for good corporate governance policy to foster upward reporting in an environment free from recriminations and victimisation is essential if senior management and the board are to adequately manage risk and cultural issues within the company.

6.1 Whistle-blower policies

Corporate governance frameworks in many FSB member jurisdictions require or encourage financial institutions (e.g. banks, insurers, and other financial institutions) to develop policies that protect employees who report wrongdoing to the board or another authority, such as the head of internal audit or compliance. A number of jurisdictions embed whistle-blower policies in the Corporate Governance Code (CGC), which, in general, sets out responsibilities for the board, the audit committee, senior management and key control functions, such as internal audit and compliance to maintain policies and procedures for employees to submit, confidentially, information about accounting, internal control, compliance, audit and other matters about which the employee has concerns. Some jurisdictions complement their CGC with additional guidelines or rules. For instance, Singapore complements its CGC with Corporate Governance Guidelines that further set out that the Audit Committee should review the policy and arrangement by which staff of the company and any other person, may, in confidence raise concerns about possible improprieties in matters of financial reporting and other matters. The Corporate Governance Guidelines also recommends that whistle-blowing policy should offer employees anonymity and other protection from negative consequences.

With respect to credit institutions, in the European Union, the European Directive CRD IV requires Member States to have in place appropriate procedures for employees to report incidences of non-compliance internally through a specific, independent and autonomous channel. In Germany, this is enacted through the German Banking Act, which requires institutions to have, as part of a proper business organisation, a procedure which enables employees to report to competent agencies cases of non-compliance with applicable regulations. In Spain, the Good Governance Code sets out additional responsibilities for the audit committee, including establishment and supervision of a mechanism whereby staff can report, confidentially, and if appropriate and feasible anonymously, any significant irregularities that they detect in the course of their duties, in particular financial and accounting irregularities. As part of its SMR and Senior Insurance Manager Regime (SIMR), the United Kingdom requires firms to allocate the prescribed responsibilities relating to firms' whistle-blowing policies and procedures, and the protection of those using them to a Senior Manager who is a non-executive director. The UK Prudential Regulation Authority's Supervisory Statement sets out the responsibilities that this would entail, including ensuring that a report is made to the board on whistle-blowing at least once a year. And in France, the corporate governance framework currently does not provide for compulsory requirements on whistle-blowing schemes but a draft bill on transparency is currently being discussed in Parliament, which will provide legal protection for whistle-blowers in the financial sector.

In Switzerland, there is no explicit regulation on internal whistle-blowing; however, a number of regulatory requirements implicitly address aspects of internal whistle-blowing, such as through requirements safeguarding integrity and ethical conduct, requirements to include employees in safeguarding compliance, and more generally corporate law requirements on internal control systems and risk management duties.

In Australia, the Corporations Act protects certain whistle-blowers from persecution. Protections offered by the Corporations Act prohibit the revelation of the whistle-blower's identity or, with limited exceptions, the information that he or she has disclosed. Australian Securities and Investments Commission (ASIC) provides guidance to company auditors on how proper internal processes can be set up to handle revelations from whistle-blowers, such as the need to set up proper internal processes for handling revelations from whistle-blowers; ensuring that whistle-blowers can make their revelations directly to an appropriate person, such as chairman of the Audit Committee or some other person as required by another regulator or overseas regulatory requirement relevant to the company; training all staff (with a focus on the importance of obtaining the whistle-blower's consent to pass on a revelation to an audit partner without inadvertently breaching the Corporations Act); and periodic checks on the effectiveness of internal processes. ASIC has established an Office of the Whistle-blower to handle revelations from whistle-blowers. ASIC also provides whistle-blowers with information regarding their rights and responsibilities on its website. Further, Australian Prudential Regulation Authority (APRA) prudential standards require that the 'Fit and Proper' policy of each institution includes adequate provisions to allow whistle-blowing relating to the fitness and propriety of responsible persons of that institution, or regarding the institution's compliance with the 'Fit and Proper' prudential standard.

6.2 Whistle-blower protection

In many jurisdictions,[52] whistle-blowers are protected by legislation or regulation. For instance, in Australia, corporate whistle-blower protections prohibit victimisation of the whistle-blower and give him or her the right to seek compensation if damage is suffered as a result of victimisation. While the protection only covers whistle-blowers reporting non-compliance of the Corporations Act and the ASIC Act, in many cases, contraventions of other legislation will involve secondary offences under the Acts because books and records have been falsified or misleading information given to the market or the auditor in an attempt to cover the primary offence. The Prudential Acts contain provisions that protect whistle-blowers who disclose to APRA. In Canada, whistle-blowers are protected under the Criminal Code and Competition Act. In Japan, the Whistle-blower Protection Act, which not only applies to listed financial institutions, protects whistle-blowers from being dismissed or unfavourably treated (e.g. disciplinary action, demotion, reduction in wages, etc.). In Korea, the Protection of Public Interest Reporters Act ensures protection for whistle-blowers, including confidentiality, personal protection, reducing responsibility, banning unfavourable action against whistle-blowers, requesting protective measures, etc. In South Africa, the Protected Disclosures Act makes provision for employees to report unlawful or irregular conduct by employers and fellow employees while providing protection of employees who blow the whistle. Meanwhile, whistle-

[52] Australia, France, Germany, Italy, Japan, Korea, Singapore, South Africa, Spain, United Kingdom and the United States.

blower protection under current Swiss law mainly stems from the general provisions of private employment law and the general provision of the Swiss Criminal Code. The legality of a notification of irregularity is determined by weighing the interests of the whistle-blower against those of the employer. The whistle-blower's notification must represent an overriding interest and comply with the principle of proportionality. This balancing of interests is currently based on court decisions. Steps are being taken to codify the principles based on case law, which apply to the legality of a whistle-blower's notification.[53]

[53] The parliament rejected an initial draft for a partial revision of the Code of Obligations in May/September 2015 so that the federal government is currently reviewing the form of the proposal.

Annex A: Summary of the roundtable with the private sector

On 30 September 2016, the peer review team held a roundtable with representatives from banks, insurers, asset management firms and industry associations. The objective of the roundtable was for the peer review team to learn from the industry about challenges and issues associated with the Principles and their practical implementation. The focus of the discussion was on the three priority Chapters being addressed by the peer review, but time was allowed to consider other areas covered by the Principles, including the rights and equitable treatment of shareholders and key ownership functions; institutional investors, stock markets and other intermediaries; and the role of stakeholders in corporate governance.

When discussing corporate governance frameworks, private sector officials echoed one of the key themes of the comments received in response to the public notice: the need for flexibility and proportionality in the adoption of the Principles. They stressed that frameworks built around principles rather than prescriptive requirements will enable the implementation of different strategies by firms with different business models in jurisdictions with different legal frameworks and at different stages of economic development. Striking a balance, several participants noted that too much flexibility can ultimately impair the credibility of the framework.

Participants suggested developing standards rather than rules will in fact lead to greater consistency among firms, avoid conflicting requirements set by different regulators both domestically and cross-border, and allow frameworks to be implemented with less difficulty. Having said that, flexibility and proportionality should not be understood to mean less rigour.

Within corporate governance frameworks, considerable attention was paid to the board of directors. It was noted that many corporate governance frameworks place onerous requirements on the board that inhibit its ability to oversee the firm and its activities, and to set its strategic direction. Related to this, excessive regulation forces the board to look backward when in fact it should be deciding the direction and setting policy for the future. Similarly, a successful board is one that focuses on a few issues successfully rather than a multitude of issues, but only at a superficial level. Concluding this point, it was suggested that too much regulation can lead the board to think that regulators have taken over their responsibility and this, in turn, leads to complacency.

Participants at the forum next discussed the importance of transparency and disclosure. Picking up on earlier comments about conflicting requirements, they noted duplicity in requirements, for example between stock exchanges and regulatory authorities or between International Financial Reporting Standards and Basel III. Having consistent disclosures, they noted, gives comfort to investors. Similarly, firms reported that they are challenged to produce timely data in an understandable format that is usable by different audiences. On this point, participants shared the view that making disclosures more effective means making them more “readable”. In the end, a board that is more involved in transparency issues will usually lead to higher quality disclosures by the firm.

It was also noted that there is a significant gap in the quality of disclosures being made by so-called “leading edge” firms and middle tier firms, with the latter being more compliance oriented. Better disclosures are needed around board room succession planning, assessments of the board and its ability to carry out its duties, the process for appointing directors and related-party transactions.

Turning their attention to the responsibilities of the board, private sector officials espoused the view that following the financial crisis, there is a better appreciation by board members of their role and responsibilities, as well as the importance of culture and tone from the top. They also pointed out that the types of individuals being recruited to serve on boards has changed, with greater emphasis being placed on financial expertise. It is also important not to confuse the role of the CEO and the board.

Building on the board responsibilities and composition discussion, comments were offered concerning the board's self-assessment process. It was thought that it would help to have greater clarity around the expectations associated with board assessments, the process and who is responsible for the assessment. Related to assessments of the board, it was observed that regulators are spending more time meeting with the board than they have in the past.

Moving beyond the priority areas covered by the peer review, participants discussed shareholders and their engagement with firms, voting and the use of intermediaries, and the relationship between the external auditor and the firm.

Annex B: Summary of responses to the public notice

The FSB press release invited feedback from the public on the areas covered by the review, and clarified that the feedback will not be made public.[54] Feedback was received from 12 entities, most of which are industry associations – a number of which represent industry associations – based in Europe or North America.[55]

Most comments expressed strong support for the objectives of the peer review and while providing important feedback on the main Chapters of the Principles being covered by the peer review, they also address a number of other issues that are either receiving lesser attention by the peer review or are not being covered at all. Several responses noted inconsistencies among governance regimes in different jurisdictions and expressed the view that to avoid further differences, any new guidance should be at an appropriately high level.

Some of the main points covered in the feedback are summarised below for information:

Chapter I: Ensuring the basis for an effective corporate governance framework

- A more effective framework will be achieved if the regime is flexible and can accommodate different types of financial institutions, of differing sizes, perhaps operating in multiple jurisdictions, each with its own legal framework, would result in a better outcome.
- Supervisors must strengthen their oversight of boards. Related to this, the current environment makes it difficult for regulatory authorities to attract and retain qualified staff to assess a firm's governance framework.

Chapter V: Transparency and disclosure

- Investors frequently have difficulty accessing disclosures. A possible solution to this is to develop – at a national level – a central repository for disclosures by firms.
- Better disclosures are needed to enable investors to assess the board. In addition, disclosures around foreseeable risk factors must be enhanced.
- Efforts must be made to educate users so that they can better understand the disclosures being made by firms.

Chapter VI: The responsibilities of the board

- A number of comments said that there is confusion over the definition of "independent board member". Related to this, and to protect the rights of minority shareholders, some responses said that a majority of board members should be independent.
- Many comments supported the view that the Chairman and CEO positions should not be vested in the same person.

---

[54] http://www.fsb.org/2016/08/fsb-launches-peer-review-of-the-g20oecd-principles-of-corporate-governance-and-invites-feedback-from-stakeholders/.

[55] Norges Bank Investment Management, Quoted Companies Alliance, International Compliance Association, Pension Investment Association of Canada, International Corporate Governance Network, Nestor Advisors, Global Federation of Insurance Associations, Santander, EUMEDION Corporate Governance Forum, The Clearing House, ecoDa – The European Voice of Directors and a consortium of Canadian pension fund managers.

- Comments were also made about the assessment of the board and the need for this to be done by an external party.

Annex C: Disclosure and Transparency – Related Party Transactions (RPTs)

	Definition of RPT	Requirements for financial institutions to adopt and disclose policies concerning how RPTs are identified and managed	Requirements for disclosing a definition of materiality or the criteria for determining material RPTs
Argentina	The Capital Markets Law (CML) defines RPTs as transactions of a "significant amount" (greater than 1% of the company's shareholders' equity) that publicly listed companies enter into with a "related party" (as defined below). A "related party" shall mean any of the following persons as they relate to the counterparty to the transaction: (a) Officers and their parents, children, spouses or siblings ("family"). (b) Audit, trustees or members of the supervisory board and their family. (c) General and special managers and their family. (d) Shareholders with significant participation in the station, in its controlled and / or its parent company and in the case of individuals their family. (e) Another company controlled by the same controlling the station. (f) Companies in which any of the foregoing persons have direct or indirect significant shareholdings, except a company controlled by the issuing company that is not in the aforementioned situations above.	• Yes, listed companies are required to adopt procedures for identifying and managing RPTs • Yes, disclosure is required The CML requires that the BoDs or any members thereof to ask the audit committee to determine whether the terms of a transaction may be reasonably deemed to be regular and usual market conditions. The audit committee has 5 business days to make its pronouncement and could also seek an opinion from 2 independent valuation firms. The audit committee's report or independent valuation companies' report shall be made available by the board to the shareholders on the business day following the board's decision. Board members' voting decision will be recorded in the board meeting minutes. Any RPT is subject to prior approval by a shareholders' meeting. The CNV requires firms to establish mechanisms to identify and manage transactions between related parties in the operation of markets. Approved RPTs should be communicated to the CNV along with the pronouncement of the audit committee or the reports of the independent valuation firms. Disclosure requirements: - Credits, Shares, Liabilities and Earnings from/to related parties - Changes on direct and indirect shareholding in subsidiaries and affiliates - Transparent relations among companies of the economic group and related parties	A "significant amount" involves an act or contract that exceeds 1% of the company's shareholders' equity as shown in the most recently approved balance sheet.
Australia	The Corporations Act defines 'related party' to include: (a) An entity that controls the public company;	• Yes, listed companies are required to adopt procedures for identifying and managing RPTs	Listing Rules consider an asset to be substantial if its value, or the value of the consideration paid for it, is 5% or

	Definition of RPT	Requirements for financial institutions to adopt and disclose policies concerning how RPTs are identified and managed	Requirements for disclosing a definition of materiality or the criteria for determining material RPTs
	(b) Directors of the public company or an entity that controls the public company; (c) If the public company is controlled by an entity that is not a body corporate – each of the persons making up the controlling entity; (d) Spouses, parents and children of the persons referred to in the two bullet points above; (e) A person who fell within the above categories in the previous 6 months; (f) An entity that has reasonable grounds to believe it is likely to become a related party at any time in the future; (g) An entity that acts in concert with a related party of the public company on the understanding that the related party will receive a financial benefit if the public company gives the entity a financial benefit. The definition of 'RPT' in Australian Accounting Standard (AASB) 124 is a 'transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged'.	• Yes, disclosures are required during the period covered by the financial statements. Regulatory Guide 76 provides guidance for public companies and registered schemes on the application of the Corporations Act and ASIC's expectations in relation to various aspects of RPTs. These include the decision to enter into a RPT, whether to seek member approval, and what information to include in meeting materials for the approval of RPTs and other disclosure documents. There are provisions in Chapter 10 of the Listing Rules requiring shareholder approval for the disposal of substantial assets to, and the acquisition of substantial assets from, related parties and for issues of securities to related parties. APRA-regulated entities would include material risk arising from RPTs in the risk management framework. Also APRA requires to put in place processes for identifying, monitoring and managing potential and actual conflicts of interest. Intra-Group Transactions and Exposures (ITE) regulations requiring ITE policy will come effective from 1 July 2017. The AASB 124 Related Party Disclosure requires the disclosure of any RPTs during the period covered by the financial statements. Disclosure about the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments necessary for users to understand the potential effect on the financial statements.	more of the equity interests of the entity.
Brazil	RPT is defined by International Accounting Standard (IAS) 24. (a) A person or a close member of that person's family is related to a reporting entity if that person: (i) has control or joint control over the reporting entity; (ii) has	• Yes, listed companies are required to adopt procedures for identifying and managing RPTs • Yes, disclosure requirements but no timeframe provided.	**Banks:** Disclosure of all RPTs irrespective of materiality, and the conditions prevalent in such transactions.

	Definition of RPT	Requirements for financial institutions to adopt and disclose policies concerning how RPTs are identified and managed	Requirements for disclosing a definition of materiality or the criteria for determining material RPTs
	significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. (b) An entity is related to a reporting entity if any of the following conditions applies: (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others). (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member). (iii) Both entities are joint ventures of the same third party. (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity. (v) The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity. (vi) The entity is controlled or jointly controlled by a person identified in (a). (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity). (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.	Any transaction and balances with related parties must be disclosed, including the nature and amount of the transactions, their remaining balances, and the existence of any especial conditions in such transactions. IAS 24. Annually updated on a Reference Form (shelf document) within five months of the end of each fiscal year. Issuers are required to describe their rules, policies and practices in accordance with current accounting standards, as well as to inform transactions with related parties, as defined by the accounting standards in force, carried out in three last fiscal years or in force in the current year. The list of transactions to be disclosed in this item must covers not less than: (i) name of the related parties; (ii) relationship between the parts and the listed company; (iii) the date of the transaction; (iv) contract object; (v) the amount involved in the transaction; (vi) existing balance; (vii) the amount corresponding to the interest of such related party in the business, if it is possible; (viii) warranties and related insurance; (ix) duration; (x) conditions of termination or extinction; and (xi) when such relationship is a loan or other debt, should be informed of the nature and reasons for the operation and the interest rate charged. Notification of CVM. Class A issuers (which includes share issuers) shall send to CVM, through the electronic system available on the CVM website, communication (notice) on RPTs within 7 days.	**Insurers**: A materiality threshold is defined in the regulation as the transaction or series of related transactions, whose total value exceeds the lesser of: 50 mm reais or 1% of the total assets of the issuer.
Canada	In MI 61-101, a "RPT" means, for an issuer, a transaction between the issuer and a person that is a related party of the issuer at the time the transaction is agreed to, whether or not there are also other parties to the transaction, as a consequence of which, either through the transaction itself or together with connected transactions, the issuer, directly or indirectly, enters into one of a series of transactions that is set out in the	• Corporate governance guidance for listed companies state that a board should adopt a written code of business conduct and ethics that addresses, among other matters, potential related party transactions.	There are two definitions in securities regulation that relate to materiality: • "Material change" means a change in the business, operations or capital of the issuer that would reasonably be expected to have a

	Definition of RPT	Requirements for financial institutions to adopt and disclose policies concerning how RPTs are identified and managed	Requirements for disclosing a definition of materiality or the criteria for determining material RPTs
	definition. Such transactions include, among other things, purchasing or selling assets from or to the related party, leasing property to or from the related party, acquiring or combining with the related party and issuing securities to the related party. The terms "related party" and "connected transactions" are also defined in the Instrument.	• Yes, disclosure requirements recommend but do not provide a timeframe. In general, MI 61-101 requires enhanced disclosure, a formal valuation, and disinterested shareholder approval if the fair market value of the subject matter, or the fair market value of the consideration, or the RPT, is greater than 25% of the market capitalisation of the issuer. There are exemptions from the valuation and disinterested shareholder approval requirements; for example, issuers listed on the TSXV and issuers that are in financial hardship are not required to comply with these aspects of MI 61-101.	significant effect on the market price or value of any of the securities of the issuer. • "Material fact" when used in relation to securities issued or proposed to be issued, means a fact that would reasonably be expected to have a significant effect on the market price or value of the securities.
China	The Rules Governing RPTs between Commercial Banks and Insiders as well as Shareholders specify that related parties include related natural persons, legal persons or other organisations. (h) Related natural persons include insiders of a bank, the bank's major natural person shareholders who hold or control over 5% of the bank's shares or voting rights; close family members of the above-mentioned persons; other natural person controlling shareholders, board members, key management members of the bank's related legal persons or other organisations; and other natural persons who have significant influence on the bank. (i) Related legal persons or other organisations include a bank's major non-natural person shareholders (i.e. non-natural person shareholders able to directly, indirectly, jointly hold or control over 5% of the bank's shares or voting rights); legal persons or other organisations that are under common control, direct or indirect, with the bank; legal persons or other organisations that are controlled directly or indirectly, or can be significantly influenced by the bank's insiders, or	• Yes, listed companies are required to adopt procedures for identifying and managing RPTs • Yes, listed banks are required to disclose their policies concerning how RPTs are identified and managed. The disclosures are provided as annexes to the semi-annual and annual reports. Commercial banks are required to establish internal policies and procedures for RPTs that address: (1) oversight of RPTs by the board or operation decision making body; (2) composition and responsibilities of a RPT control committee; (3) collection, management, reporting, commitment, identification and determination of related parties, types of transactions allowed for related parties and pricing policies, approval process and standards, withdrawal policy, internal audit, information disclosure and accountability. Commercial banks are also required to disclose in the notes to their financial statements information about RPTs, including the aggregate amount of exposures to related parties and significant RPTs.	**Banks**: The definition of material RPT as specified in the Rules Governing RPT is "any single transaction with one related party over 1% of the bank's net capital, or transactions with one related party where the total exposure of the related party exceeding 5% of the bank's net capital". For material RPTs, the disclosure should be at individual transaction level. **Insurers**: Any single transaction beyond 1% of net assets of last fiscal year of the insurer or RMB 30 mm between the insurer and its one single affiliated party, or accumulated transaction beyond 5% of net assets of last fiscal year of the insurer between the insurer and its one single affiliated party.

	Definition of RPT	Requirements for financial institutions to adopt and disclose policies concerning how RPTs are identified and managed	Requirements for disclosing a definition of materiality or the criteria for determining material RPTs
	major natural person shareholders together with their close family members. (j) Furthermore, where natural persons, legal persons or other organisations that have influence on a bank do not conduct transactions with the bank on an arm's length basis, and hence obtain benefits from the transactions and result in bank's losses, the bank shall deem them as related parties according to the principle of substance over form.		**Other**: The progressive total related-party transactions for a single related-party are more than RMB 30 mm during the reporting period and account for more than 5% of the latest audited net asset value of the company.
European Union	In case of IFRS financial statements, RPTs are defined as set out in IAS 24.9 (see Brazil's response). **Insurers**: Solvency 2 Delegated Regulation sets out rules on the definition and identification of significant intra-group transactions. On insurance, as regards RPTs, according to Article 245 of the Solvency II Directive 2009/138/EC, insurance and reinsurance companies have the obligation to report to their supervisory authorities all significant intra-group transactions at least annually. Article 377 of the Solvency II Delegated Regulation (EU) 2015/35 sets out rules on the definition and identification of significant intra-group transactions. Insurance and reinsurance companies should have in place the necessary processes to identify them to comply with those obligations.	• Yes, listed companies are required to adopt procedures for identifying and managing RPTs • No, disclosure requirements. But a common corporate governance framework for disclosure and approval of important RPTs is currently being negotiated at the EU level as part of the revision of the Shareholders Rights Directive. **Insurers**: Solvency II Delegated Regulation sets out the obligation to disclose in the solvency and financial condition report on an annual basis a description of how the risk management and internal control systems and reporting procedures are implemented consistently in all the undertakings within the scope of group supervision, as required by Article 246 of Directive 2009/138/EC. That report shall also disclose qualitative and quantitative information on relevant operations and transactions within the group.	There is no EU level requirement to disclose the definition of materiality for any given accounting policy. Nevertheless, a common corporate governance framework for the disclosure and approval of important RPTs is currently being negotiated at the EU level as part of the revision of the Shareholders Rights Directive. The scope of these transactions would however not necessarily be the same as the materiality concept of the Accounting rules. **Insurers**: The definition of materiality for disclosure purposes under Solvency II prudential regulation sets out that the information to be disclosed in the solvency and financial condition report shall be considered as material if its omission or misstatement could influence the decision-making or the judgement of the users of that document, including the supervisory authorities.

	Definition of RPT	Requirements for financial institutions to adopt and disclose policies concerning how RPTs are identified and managed	Requirements for disclosing a definition of materiality or the criteria for determining material RPTs
France	The French commercial code defines RPTs (or regulated agreements) as any agreement between the general manager, assistant general manager, director, shareholder with >10% voting rights or a corporate shareholder with 'control'. It also includes indirect transactions with the above parties and a general clause to capture any person in any way involved in management. Agreements covered are specified and include corporate contracts, remuneration, loans, and severance contracts. RPTs exclude transactions entered into in the ordinary course of business and transactions between two companies where one of these companies is fully (directly or indirectly) owned by the other.	• Yes, listed companies are required to adopt procedures for identifying and managing RPTs. • No, disclosure requirements. Under French law (French commercial code), all transactions concluded between a company and one of its directors (CEO, deputy CEO, members of the administrative, management or supervisory bodies) or one of its shareholders holding more than 10% of the voting rights must be subject to an *ex ante* authorization by the administrative or supervisory board and an *ex post* vote at the general meeting of shareholders which is provided with an auditors' special report (the director and shareholder who is a related party cannot take part in the authorization by the administrative or supervisory board as well as in the vote at the general meeting). The French commercial code sets out the information that must be provided in the auditor's special report in order for shareholders to be able to vote on all regulated RPTs. The current French system relies on declaration by the interested parties who enter into agreements with the company. The interested party must inform the board immediately upon becoming aware of a RPT, but is not disclosed. France will of course complement its regime by transposing the revised Shareholders' Rights Directive once it will be formally adopted. **Insurers**: Insurance and reinsurance companies should have in place the necessary processes to identify intra-group transactions to comply with requirements set out in Solvency 2 regulation.	No definition of materiality in French Commercial Code. However, agreements entered into between a company and its manager or a shareholder holding more than 10% of the voting rights qualify as regulated related-party transaction and are subject to specific approval procedures.
Germany	**Banks**: German Banking Act (KWG) defines RPTs as financial institutions granting loans to: (a) management board members of the institution,	• Yes, listed companies are required to adopt procedures for identifying and managing RPTs. • No disclosure requirements.	No obligation to disclose a definition of materiality for banks or insurers.

	Definition of RPT	Requirements for financial institutions to adopt and disclose policies concerning how RPTs are identified and managed	Requirements for disclosing a definition of materiality or the criteria for determining material RPTs
	(b) partners of the institution who are not management board members, and to general partners of an institution who are not management board members (c) members of a governing body of the institution appointed to monitor the management of the institution (d) holders of a general commercial power of attorney and authorised officers of the institution empowered to represent it in all aspects of its business, (e) spouses, life partners and minors of the persons specified above, (f) silent partners of the institution, and (g) various undertakings organised in the form of a legal person or commercial partnership if a management board member, a holder of a general commercial power of attorney or an authorised officer of the institution empowered to represent it in all aspects of its business is a legal representative or a member of the supervisory body of the legal person or a partner in the commercial partnership, (h) general partners, management board members, members of the executive board or supervisory body, holders of a general commercial power of attorney and authorised officers empowered to represent in all aspects of business of an undertaking controlled by or controlling the institution, as well as their spouses, life partners and minors. **Insurers**: Implements IAS 24 (see Brazil response). Also includes a person or entity that is preparing the company's financial statements.	**Banks**: KWG states that loans to related parties may only be granted on the basis of an unanimous decision by all managers of the institution and only with the explicit consent of the supervisory body. The decisions of the managers and the supervisory body to give their consent must be taken before the loan is granted. Banks must have appropriate systems for identifying loans to related parties and reaching the appropriate decisions. No special requirement to disclose the policies for identifying RPTs. Yet, in the external audit, single-loan-based reporting requirements apply where loans to related parties must be regarded as noteworthy because of their size or the way they are structured or because indications of conflicts of interest occur. The external auditor has to meet the decision whether a loan must be regarded as noteworthy. **Insurers:** Notification to supervisory authority on the existence, modification or termination of any close link in which at least two natural or legal persons are associated with each other as a result of a holding or control relationship, or a situation in which at least two natural or legal persons are permanently associated with the same person on the basis of a control relationship	

	Definition of RPT	Requirements for financial institutions to adopt and disclose policies concerning how RPTs are identified and managed	Requirements for disclosing a definition of materiality or the criteria for determining material RPTs
Italy	According to CONSOB regulation, an entity is considered a related party to a company if: (a) directly or indirectly related, through subsidiaries, trustees or an intermediary: (i) controls the company, is controlled by, or is under common control; (ii) holds a stake in the company to exert significant influence over the entity; (iii) exercises control over the company jointly with others; (b) is an associate of the company; (c) is a joint venture in which the company is a participant; (d) is one of the key management personnel of the company or its parent; (e) is a close relative of a person referred to in paragraphs (a) or (d); (f) is an entity in which a person referred to in paragraphs (d) or (e) exercises control, joint control or significant influence or owns, directly or indirectly, a significant portion, but not less than 20 % of voting rights; (g) is a supplementary pension fund, collective or individual, Italian or foreign, established for the employees of the company, or any other entity associated with it.	• Yes, listed companies are required to adopt procedures for identifying and managing RPTs. • Yes, these policies are required to be published without delay on the company website, including reference to that site in its annual report on operations. Listed companies are required to adopt procedures to ensure transparency and substantial and procedural fairness of RPTs. In particular, these procedures shall, among others, identify the scope of application of the obligations established therein, and related exception, establish the modalities for carrying out and approving RPTs which rely on a review of their entire fairness by a committee of independent directors providing an opinion (binding for material RPTs, non-binding for RPTs below the materiality regulatory thresholds), and identify rules with regard to cases in which the company shall review or approve the transactions of subsidiaries, Italian or foreign, establish the modalities and timing for the reporting to independent directors or board members as well as to the management and supervisory bodies of information on transactions, and related materials, before deliberations, during and after the execution thereof. The procedures and any related amendments shall be adopted by the boards of directors or management board of the company following the favourable opinion of a committee, even specially formed, composed entirely of independent directors or, for companies that adopt the dual management and supervision system, of independent management and supervisory board members.	Yes. Consob Regulation on RPTs requires listed companies to identify and immediately disclose material transactions in which, at least one of the following, is greater than the 5% threshold: a) *Consideration materiality ratio*: the ratio between consideration of transaction and the market value of the company or net equity drawn from the latest published balance sheet by the company. b) *Asset materiality ratio*: the ratio between the total assets of the entity transferred in the transaction and the total assets of the company. c) *Liabilities materiality ratio*: The ratio between the total liabilities of the entity transferred in the transaction and the total assets of the company. Immediate disclosure includes a description of characteristics, rules, terms and conditions of the transaction, the opinion provided by a committee of independent and, if any, fairness opinion of the expert appointed by the committee. **Banks**: "Material transactions" are defined as transactions whose value exceeds 5% of the regulatory capital of the bank (or the asset value for

	Definition of RPT	Requirements for financial institutions to adopt and disclose policies concerning how RPTs are identified and managed	Requirements for disclosing a definition of materiality or the criteria for determining material RPTs
			certain type of transactions). Each bank publishes on its website the policy on related party transaction where more specific information on the definition of “major transactions” might be found (in fact, banks may extend the perimeter of major transaction beyond the minimum provided for in the regulation). **Insurers**: Solvency II directive is supplemented; the information to be disclosed in the solvency and financial condition report shall be considered as material if its omission or misstatement could influence the decision-making or the judgement of the users of that document, including the supervisory authorities.
Netherlands	Dutch financial legislation does not provide a definition for RPTs.	Article 5:25d of the act on Financial Supervision requires publicly listed banks, insurers, and other financial institutions, to in their semi-annual report the most important related party transactions. Article 11 (5) of the Decree on Prudential Supervision requires financial institutional banks, insurers, and other financial institutions to conduct transactions with employees of the institutions on an ‘arm’s length’ basis.	Neither IFRS nor the Dutch civil code set forth the criteria for determining whether a RPT is material or the disclosure thereof.
Spain	There is no single definition of “related party”. Article 3.1 of Order EHA/3050/2004, regarding information on related party transactions to be provided by issuers whose financial instruments are admitted to trading in an official secondary market, defines related party transaction as any transfer of resources, services or obligations among related	• Yes, listed companies are required to adopt procedures for identifying and managing RPTs. • Yes, disclosures are required in the notes to the annual accounts, both on IFRS consolidated financial statements (based on IAS 24 Related Party Transactions) and on individual financial statements based on National GAAP,	RPTs included within consolidated financial statements use the definition of materiality provided by IFRS (i.e. those that have an impact on users’ economic decision making).

	Definition of RPT	Requirements for financial institutions to adopt and disclose policies concerning how RPTs are identified and managed	Requirements for disclosing a definition of materiality or the criteria for determining material RPTs
	parties regardless the existence of a consideration. This order also includes a definition of related party. Article 231 of Company Law defines related party to directors as: a) The director's spouse or persons with an analogous relationship. b) The director's or his/her spouse's parents, children and siblings. c) The spouses of the director's parents, children and siblings. d) Companies with which the director, directly or by proxy, is affiliated in any of the manners described in article 42, paragraph one of the commercial code. When directors are legal persons, its related parties shall be the persons listed below: a) Partners or shareholders who are affiliated with such legal person in any of the manners described in article 42 paragraph one of the commercial code. b) De jure or de facto directors, liquidators, and attorneys with general powers of attorney in the company's legal person director. e) Companies forming part of the same group and their partners or shareholders. d) Persons who, pursuant to the provisions of the preceding paragraph, qualify as related parties in respect of the representative of the director legal person.	also incorporating the disclosures required by article 229 of Company Law as detailed further. In addition listed financial institutions should disclose significant RPTs in their annual corporate governance report on an individual basis. Obligation to notify transaction carried out by directors and persons discharging managerial responsibilities within an issuer on shares or financial instruments issued by the company where they have a position, there is also a definition of related party in Article 9 of Royal Decree 1333/2005, of 11 November, developing the Securities Markets Law on market abuse related matters. Article 229 of Company Law provides for the duty of directors to avoid conflicts of interest. Director and related parties should refrain from RPTs.	The annual corporate governance report requires listed entities to disclose individual transactions which are significant either because of its quantitative amount or by its nature and qualitative characteristics **Banks**. Credit institutions must apply to the Banco de España for authorisation to grant loans and guarantees to members of the BoDs and managing directors and similar officers.
United Kingdom	Under LR 11.1.5R, a related party transaction means:	Accounting rules require companies to disclose details of relationships between a parent and its subsidiaries irrespective of whether there have been transactions between them. Such	There is no requirement for financial institutions to disclose the definition of materiality in respect of RPTs or the

	Definition of RPT	Requirements for financial institutions to adopt and disclose policies concerning how RPTs are identified and managed	Requirements for disclosing a definition of materiality or the criteria for determining material RPTs
	• a transaction (other than a transaction in the ordinary course of business) between a listed company and a related party; or • an arrangement (other than an arrangement in the ordinary course of business) pursuant to which a listed company and a related party each invests in, or provides finance to, another undertaking or asset; or • any other similar transaction or arrangement (other than a transaction in the ordinary course of business) between a listed company and any other person the purpose and effect of which is to benefit a related party. LR 11.1.4R specifies four categories of 'related party': • substantial shareholder: A person who is (or was within the 12 months before the date of the transaction) a substantial shareholder; • director or shadow director: A person who is (or was within the 12 months before the date of the transaction or arrangement) a director or shadow director of the listed company or of any other company which is (and, if he has ceased to be such, was while he was a director or shadow director of such other company) its subsidiary undertaking or parent undertaking or a fellow subsidiary undertaking of its parent undertaking; • person exercising significant influence: A person exercising significant influence over the listed company; • associate of a related party: An associate of a related party above. The definition of 'associate' includes: An individual's family; Trustees of any trust of which the individual or his family member is a beneficiary; or any company or partnership in which the individual or their family control over 30% of the votes.	disclosures should include the name of the parent and the ultimate controlling party, if different. All companies must also disclose all significant accounting policies which would include details of how they identify and classify related party transactions. Furthermore the Listing Rules require that any company in the UK maintaining a premium listing on the London Stock Exchange maintain systems to identify all related party transactions, although those transactions below 0.25% of gross assets, profits, market value of the issuer's shares or its gross capital (defined as market value of shares plus other liabilities) are exempt from disclosure. Those transactions above 0.25% but less than 5% (as defined) require a written confirmation of the fairness and reasonableness of the transaction as far as the shareholders of the company are concerned to be obtained from a sponsor as well as an announcement to be made to the market of the identity of the related party, the value of the consideration to be paid for the transaction or arrangement, a brief description of the transaction or arrangement , the fact that the transaction is classed below 5% (as defined) and any other relevant circumstances. For those transactions above 5% (as defined), the production of a circular to shareholders is required detailing all the specifics of the transaction as detailed above and subjecting the transaction to a specific vote of approval by the independent shareholders. Where a financial institution is listed, under LR 11.1.7R the requirements for a related party transaction are: • notification to a Regulatory Information Service containing prescribed details of the transaction, the value of the gross assets involved and the profits attributable to such assets, as well as the related party; • an explanatory circular to be sent to shareholders; and	criteria and process used to determine material related party transactions. Auditors of listed entities (and auditors of entities that have otherwise applied the UK Corporate Governance Code) are required to make disclosures in respect of how they have applied the concept of materiality in planning and performing the audit.40 In the case of financial institutions that maintain a premium listing in the UK, the UK Listing rules will require that all such transactions are subject to a shareholder vote if in excess of 5% of a company's value defined in relation to gross assets, profits, market capitalization or gross capital (defined as market capitalisation plus liabilities), and subject to disclosure to the market when below 5% (as defined) but above 0.25% (as defined), effectively imposing a materiality level for reporting purposes that is common across all UK companies with a premium listing. The concept of materiality does apply to related party transactions for accounting purposes and to decide how to apply accounting rules. This includes both a quantitative and qualitative assessment judged in the

	Definition of RPT	Requirements for financial institutions to adopt and disclose policies concerning how RPTs are identified and managed	Requirements for disclosing a definition of materiality or the criteria for determining material RPTs
		• shareholders' approval prior to the transaction being entered into or, if shareholder approval is made a condition, prior to completion. • ensuring that neither the related party nor its associates vote on the relevant resolution. LR11.1.11R specifies that where a listed company enters into transactions or arrangements with the same related party (and any of its associates) in any 12-month period, and the transactions or arrangements have not received shareholder approval, those transactions and arrangements (including small related party transactions or smaller related party transactions falling under LR 11 Annex 1.1R (1) and LR 11.1.10R) must be aggregated. If any percentage ratio is 5% or more for the aggregated transactions or arrangements, the listed company must comply with LR 11.1.7R in respect of the latest transaction or arrangement.	context of the relevance of the information to a company's investors. In practice, it may be the case that for related party transactions, a lower quantitative threshold for materiality is applied on the basis that the information could be relevant to investors.
Hong Kong	**Listed companies.** "RPT" is called "connected transaction" in the Listing Rules. It is defined as a transaction with connected persons, and specified categories of transactions with third parties that may confer benefits on connected persons through their interests in the entities involved in the transactions. It may be a one-off transaction or continuing transactions. A "connected person" is: (a) a director, chief executive or substantial shareholder of the listed issuer or any of its subsidiaries; (b) a person who was a director of the listed issuer or any of its subsidiaries in the last 12 months; (c) a supervisor of a PRC issuer or any of its subsidiaries; (d) an associate of any of the above persons; (e) a connected subsidiary; or (f) a person deemed to be connected by the Exchange. **Banks.** BDR section 32(1) defines "RPT" to mean a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. The definition of	• Yes, listed companies are required to adopt procedures for identifying and managing RPTs. • Yes, banks are subject to annual disclosure requirements. **Listed companies.** Chapter 14A of the Listing Rules sets out particular requirements in relation to connected transactions. There are requirements setting out how connected transactions are dealt with, such as the announcement and reporting of connected transactions (including the content to be included in these notifications) and internal procedures to be followed (including the obligation to obtain shareholders' approval, appointment of an independent financial adviser and the provision of advice to shareholders from an independent board committee). **Banks.** BO section 83(1) prohibits a locally incorporated AI from providing unsecured loans, advances or guarantees or	

	Definition of RPT	Requirements for financial institutions to adopt and disclose policies concerning how RPTs are identified and managed	Requirements for disclosing a definition of materiality or the criteria for determining material RPTs
	"related party" under BDR section 32 (for the purpose of setting out disclosure requirements in respect of RPTs by an AI under BDR section 43) follows that of the Hong Kong Accounting Standard 24 Related Party Disclosures, capturing a wide scope of parties (i.e. direct and indirect controllers of the AI, entities with significant influence over the AI, entities under common control with the AI, key management personnel of the AI and its parent entity, the direct and related interests and close family members of key management personnel; and an AI's subsidiaries and affiliates, and any party over which the AI has control).	incurring unsecured liabilities to certain persons and bodies specified in BO section 83(4) if the aggregate amount of the facilities or liabilities exceeds 10% of the AI's capital base. Specified persons and bodies include, among others, any director of the institution, any relative of such director, any employee who is responsible for approving loan applications, and any relative of such employee as well as shareholder controllers of the AI and (if individuals) their relatives pursuant to BO section 83. In addition to the limitations imposed by BO section 83, BO section 85(1) imposes limitations on advances to employees for all authorized institutions (AIs). SPM module CR-G-9 "Exposures to Connected Parties" provides further guidance on the systems and controls for exposures to connected parties that a locally incorporated AI should have in place. CR-G-9 section 3.2 specifies what an AI's policy on exposures to connected parties should cover at a minimum, while section 3.3 relates to the monitoring of such exposures. Under BDR section 43, where an AI has entered into transactions with related parties, the AI must disclose (a) the nature of the relationships and such information about the transactions and outstanding balances as is necessary for understanding the potential effect of the relationships on the financial statements of the AI; and (b) the AI's policy for lending to related parties. CR-G-9 section 4.1 further identifies the financial disclosure requirements related to connected party transactions under other relevant legislation, accounting standards and disclosure rules applicable to AIs.	

	Definition of RPT	Requirements for financial institutions to adopt and disclose policies concerning how RPTs are identified and managed	Requirements for disclosing a definition of materiality or the criteria for determining material RPTs
India	**Banks**. The definition of "related parties" is given in Sub-Section 76 of the Section 2 of the Companies Act, 2013. The disclosure on "RPT" has to be done as Master Circular on Disclosure in Financial Statements - Notes to Accounts issued by RBI and Section 188 of Companies Act, 2013. **Insurers.** A RPT is a contract or arrangement with a related party and is defined in the Companies Act, 2013. The definition has been adopted for the purpose of Corporate Governance compliance of insurance companies. **Other financial institutions**. RBI has not defined this for NBFCs. The definition of "related parties" is given in Sub-Section 76 of the Section 2 of the Companies Act, 2013, which defines related party and RPTs as: The NPS/APY (National Pension System/Atal Pension Yojana) follow an unbundled architecture in which different activities are performed by different entities- NPS Trust, Point of Presence, Central Record Keeping Agencies, Trustee Bank, Pension Funds, Custodian and the Annuity Service Providers which are registered/ empaneled with PFRDA for their NPS/APY related activities only. Except the NPS Trust which is created by PFRDA and Pension Funds which are regulated more closely by PFRDA, all other entities are governed/ regulated for their corporate governance issues by the respective sectorial regulators. So far as the PFs are concerned, the PFRDA (PF) Regulators, 2015 provide provisions for their roles and responsibilities/ activities, prudential governance including related parties transactions.	• Yes, listed companies are required to adopt procedures for identifying and managing RPTs. • Yes, disclosure requirements but no timeframe provided. The disclosure requirements regarding RPTs are prescribed through Reserve Bank of India guidelines. **Banks**. As per accounting standards AS 18-Related Party Disclosures read with RBI guidelines and provisions of the Companies Act 2013 as applicable. **Insurers**. The enterprise is required to disclose in the financial statements, transactions with certain categories of related parties. In particular, attention is focussed on transactions with the directors or similar key management personnel of an enterprise, especially their remuneration and borrowings, because of the fiduciary nature of their relationship with the enterprise. If there have been transactions between related parties, during the existence of a related party relationship, the reporting enterprise should disclose the following: (i) the name of the transacting related party. (ii) a description of the relationship between the parties. (iii) a description of the nature of transactions. (iv) volume of the transactions either as an amount or as an appropriate proportion. (v) any other elements of the RPTs necessary for an understanding of the financial statements. (vi) the amounts or appropriate proportions of outstanding items pertaining to related parties at the balance sheet date and provisions for doubtful debts due from such parties at that date. (vii) amount written off or written back in the period in respect of debts due from or to related parties. **Other financial institutions**. NBFCs have been advised to disclose a) details of all material transactions with related parties in the annual report and b) the policy on dealing with	**Banks.** Are required to make disclosures as per accounting standards read with RBI guidelines. This Standard is applied in reporting related party relationships and transactions between a reporting enterprise and its related parties. **Insurers.** Materiality primarily depends on the facts and circumstances of each case. In deciding whether an item or an aggregate of items is material, the nature and the size of the item(s) are evaluated together. Depending on the circumstances, either the nature or the size of the item could be the determining factor. As regards size, for the purpose of applying the test of materiality as per this paragraph, ordinarily a RPT, the amount of which is in excess of 10% of the total RPTs of the same type (such as purchase of goods), is considered material, unless on the basis of facts and circumstances of the case it can be concluded that even a transaction of less than 10% is material. As regards nature, ordinarily the RPTs which are not entered into in the normal course of the business of the reporting enterprise are considered material subject to the facts and circumstances of the case. **Other financial institutions**. Please

	Definition of RPT	Requirements for financial institutions to adopt and disclose policies concerning how RPTs are identified and managed	Requirements for disclosing a definition of materiality or the criteria for determining material RPTs
		RPTs on its website and also in the Annual Report. Regulation 23 of SEBI LODR Regulations provides for the following for dealing with RPTs: 1. The listed entity shall formulate a policy on materiality of RPTs and on dealing with RPTs. 2. All RPTs shall require prior approval of the audit committee. 3. Audit committee may grant omnibus approval for RPTs proposed to be entered into by the listed entity subject to certain conditions. 4. All material RPTs shall require approval of the shareholders through resolution and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not. 5. All entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not. Further, Regulation 46 (2) of SEBI LODR Regulations states: The listed entity shall disseminate the policy on dealing with RPTs on its website and that the investments in group concerns have to be disclosed transparently.	refer to above. Regulation 23 (1) of SEBI LODR Regulations state that: The listed entity shall formulate a policy on materiality of RPTs and on dealing with RPTs. A transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.
Indonesia	**Listed Companies**: Based on OJK Rule IX.E.1, RPTs are any transaction done by Issuer or Public Company or its controlled companies with its Affiliation (defines as family relationship by marriage and descent to the second degree, horizontal and vertical; relationship between a Person and its employees, directors, or commissioners; relationship between two Companies with one or more directors or commissioners in common; relationship between a Company and a Person that directly or indirectly, controls or is controlled by that Company; relationship between two Companies that are controlled	**Listed Companies** are required to adopt procedures for identifying, managing, and disclosing RPTs (stipulated under OJK Rule IX.E.1). RPTs shall also be disclosed in the financial statements (annual and semi-annual) for each reporting period as stipulated under OJK Rule VIII.G.7. Furthermore, OJK Regulation Number 29/POJK.04/2016 requires Issuers or Public Companies to include corporate governance report in their Annual Report. RPTs shall also be disclosed in the Annual Report.	**Listed Companies.** As stipulated under OJK Rule IX.E.1, regardless of the types of RPTs (i.e.for public disclosure and reporting to OJK), all RPTs shall be disclosed in the company's financial statements and annual reports for each reporting period. Under OJK Rule IX.E.2, OJK regulates materiality of the transaction

	Definition of RPT	Requirements for financial institutions to adopt and disclose policies concerning how RPTs are identified and managed	Requirements for disclosing a definition of materiality or the criteria for determining material RPTs
	directly or indirectly by the same Person; or relationship between a Company and a substantial shareholder. **Banks**. RPT is any transaction with any individual or company/entity exercising control over the Bank, whether directly or indirectly, through ownership, management, and/or financial relation. For more detail information on the definition of related party is stipulated under article 8 of PBI No. 8/13/PBI/2006. **Insurers**. POJK No.2/POJK.02/2014 defines the RPT as a transaction carried out by affiliated parties (which is defined as relationship between person or legal entity with one or more persons, or other legal entity, such that one of them may affect management or policy of others person or legal entity, or vice versa, by utilizing their common ownership or management of the company, as stipulated in Law No. 2 year 1992 concerning Insurance Business (Article 1 point 16).	**Banks**. Pursuant to article 2 of PBI No. 7/3/PBI/2005 as amended by PBI No. 8/13/PBI/2006, Banks are required to have written policy guidelines and procedures on Provision of Funds to Related Parties, large exposure, and/or Provision of Funds to other Parties with interest on the Bank. Article 10 of the said PBI requires Banks to have and administer a detailed list of Related Parties to the Bank (state at least details of shareholders, management, business sector, and controlling ties exercised by and among each of the Related Parties), which to be submitted to OJK 2 (two) times a year (June and December position), in the event of any change. Furthermore, OJK may request a Bank at any time to submit the detailed list of Related Parties. Pursuant to article 64 of POJK No. 55/POJK.03/2016 and SEOJK No. 13/SEOJK.03/13, banks must disclose a Good Corporate Governance implementation report to their stakeholders at end of every book year, including provision of funds to related parties. **Insurers**. OJK Regulation Number 18/POJK.03/2014 requires the Lead Entity in a financial conglomeration to develop Integrated Corporate Governenance Guidelines, which covers Corporate Governance Framework for the Lead Entity and each financial entities within the financial conglomeration group. The Corporate Governance Framework shall among others include policies for managing conflict of interest which at least covers policies on: (i) identifying, mitigating, and managing conflict of interest including those deriving from RPTs and intra-group transaction; (ii) prohibition for member of BoD and BoC to take action that may harm or reduce the profits of the company; (iii) obligation to make disclosure if conflict of interest exists in the decision making.	and the requirement for transactions in each materiality threshold that the companies shall comply with. In case of Material Transaction is also an RPT, the Issuers and Public Companies shall also published information on: (i) relationship and nature of affiliation of parties entering into the transaction with the company; and (ii) explanations, consideration and reason for conducting the transaction with the affiliated party, compared to other similar transaction that are not conducted with affiliated parties. For transactions in both materiality threshold, independent appraisal report on the fairness of the transaction is required. **Banks**. There are no specific banking rules regarding "material RPT". In general, the implementation will refer to the provision applicable to all companies. However, for Banks that are Opened Companies (Issuers or Public Companies) are obliged to follow the provisions of the Capital Market regulations. **Insurers.** POJK No.2/ POJK.05/2014 does not provide a specific definition related to material transactions instead refers to Indonesian Accounting Standard (PSAK 7) on Related Party

	Definition of RPT	Requirements for financial institutions to adopt and disclose policies concerning how RPTs are identified and managed	Requirements for disclosing a definition of materiality or the criteria for determining material RPTs
			Disclosures. Nevertheless, material transactions between Insurance Company and other party must be included in the Application Statement of Good Corporate Governance.
Japan	Related parties are defined with reference to the Company Accounting Ordinance and Financial Instruments and Exchange Act. Related parties include the parent and subsidiaries and other entities in the organisational tree, associates, affiliated companies, shareholders with voting rights (excluding such as voting rights associated with certain shares held as trust property or acquired in the course of underwriting) ≧ 10% of total voting rights and their close relatives, company officers and their relatives, corporate pension funds who carry out significant transactions with the stock company. RPTs include significant transactions with a third party subject to conflict of interest.	• Yes, listed companies are required to adopt procedures for identifying and managing RPTs. • Yes, disclosure requirements. Principle 1.7 of the Corporate Governance Code states that, when a listed company engages in transactions with its officers or major shareholders (i.e., RPTs), in order to ensure that such transactions do not harm the interests of the company or the common interests of its shareholders and to prevent any concerns with respect to such harm, the BoDs should establish appropriate procedures beforehand in proportion to the importance and characteristics of the transaction. In addition, to their use by the board in approving and monitoring such transactions, these procedures should be disclosed.	The Financial Statements Ordinance and the Consolidated Financial Statements Ordinance state that, where a company submitting (consolidated) financial statements conducts RPTs, it should disclose the details of any of these transactions that are significant in the notes of its (consolidated) financial statements (Article 8-10 of the Financial Statements Ordinance, Article 15-4-2 of the Consolidated Financial Statements Ordinance). In addition, any disclosed RPTs will be subject to audit in the financial statements audit conducted by a certified public accountant or audit corporation based on the FIEA.
Korea	"RPT" means transaction with parties that are related to the financial institution, for example, large shareholder or subsidiary.	• Yes, listed companies are required to adopt procedures for identifying and managing RPTs. • Yes, disclosure requirements. **Banks**: Under the Banking Act, bank's related party is deemed the same person as the bank. Under this Act, bank's credit extension to its related party shall not exceed the smaller of 25/100 of the bank's equity capital or the related party's shareholding ratio of the bank. Bank's total credit extension to	**Banks**: In accordance with the Banking Act, material transaction means any transaction of which the volume is no less than 25/100 of bank's equity capital. The investment amount which large shareholders shall not exceed is calculated by dividing the number of shares with voting rights owned by the large shareholder by bank's total number of issued

	Definition of RPT	Requirements for financial institutions to adopt and disclose policies concerning how RPTs are identified and managed	Requirements for disclosing a definition of materiality or the criteria for determining material RPTs
		its large shareholders shall not exceed 25/100 of the bank's equity capital. If the bank intends to extend credit exceeding certain ratio to its large shareholder, the bank shall undergo resolution of the board requiring unanimous consent of all registered board members. Any bank that extended credit exceeding certain ratio to any one of its large shareholders shall report the matter to the FSC without any delay and disclose it via website. **Insurers**: Any insurer is prohibited from the following: extending loans to its large shareholders in both direct and indirect manner; extending loans to its large shareholders in view to supporting the shareholder's investment in another company; transferring assets free of charge; and selling/exchanging assets, extending loans, and/or entering into re-insurance contract on significantly disadvantageous terms to the insurer in light of conventional terms of transactions. Any insurer is required to undergo resolution of the board in an ex-ante manner, if it wishes to extend loans exceeding certain amount to its large shareholders or buy equities or fixed income issued by its large shareholders exceeding certain amount. Any large shareholder of insurer is prohibited from engaging in any actions that aim to pursue its own interest at the expense of the insurer's interest. **Other financial institutions**: Financial investment business is prohibited from owning securities issued by any of its large shareholders; owning stocks, bonds or promissory note (only those issued with an aim to fund company's business) issued by its certain related parties; and engaging in any actions that may undermine its sound asset management. Financial investment business shall not extend credit to its large shareholders (credit extension refers to any matters falling under the items stipulated in the Presidential Decree, including lending economically valuable wealth such as money and securities, providing debt	shares with voting rights and multiplying that ratio with bank's equity capital. Credit extension ceiling is 25/100 of the bank's equity capital. **Insurers**: Material transactions under Insurance Business Act is the lesser of single transaction volume exceeding 1/1000 of insurer's equity capital or KRW1billion. **Other financial institutions**: Material transaction under FSCMA is the lesser of annual salary given to executive directors or KRW100million. Material transaction under Credit Specialised Financial Business Act is the lesser of single transaction exceeding 1/10,000 of equity capital or KRW1billion.

	Definition of RPT	Requirements for financial institutions to adopt and disclose policies concerning how RPTs are identified and managed	Requirements for disclosing a definition of materiality or the criteria for determining material RPTs
		service guarantee, acquiring securities as a means to provide monetary support and direct/indirect transaction that involves credit risk), and any large shareholder shall not receive credit extension from the financial investment business. In any case the financial investment business engages in any such action mentioned above shall report the matter to the FSC without any delay and disclose the matter via website. Credit specialised financial company shall not extend credit to its large shareholder exceeding 50/100 of its equity capital, whereas its large shareholder shall not receive credit exceeding that ceiling. In any case credit specialised financial company wishes to extend credit exceeding the ceiling to its large shareholder, or wishes to buy stocks issued by its large shareholder exceeding certain amount, it must undergo resolution of the board in an ex-ante manner, where resolution to permit such action shall be made with an unanimous consent from all registered board members. In any case a financial investment business extends credit to its large shareholder exceeding certain amount or buys stocks issued by its large shareholder exceeding certain amount, it shall report to the FSC without any delay and disclose the matter via website. For certain matters, the credit specialised financial company shall make a quarterly report to the FSC and disclose via website.	
Mexico	**Listed firms**. The Securities Market Law states that: related parties are those who are placed within any of the following events in regards to an issuer: a) Any individual or entities that control or have a significant influence in a legal entity that belongs to the corporate group or consortium to which the issuer belongs, as well as the directors or managers and	• Yes, listed companies are required to adopt procedures for identifying and managing RPTs. • Yes, disclosure requirements. According to Art. 28, III, of the LMV, the Board of Directors shall approve, upon previous opinion of the competent committee (corporate practices or audit), each transaction with related parties, except in a few cases, as long as the later ones abide by the policies and guidelines approved by the Board. The	**Listed firms**. RPTs performed, simultaneously or successively, which could be considered as a single transaction due to their characteristics, in the course of a fiscal year, representing at least 10% of consolidated assets of the firm should have an opinion from an independent expert appointed by the corporate practices committee, prior to the

	Definition of RPT	Requirements for financial institutions to adopt and disclose policies concerning how RPTs are identified and managed	Requirements for disclosing a definition of materiality or the criteria for determining material RPTs
	relevant executive officers of the members of such group or consortium. b) Any individuals who have decision-making powers within a legal entity that is a party to a corporate group or consortium to which the issuer may belong to. c) The spouse, concubine or the male concubine and the blood or civil kinship relatives up to the fourth degree or marriage kinship relatives up to the third degree, with individuals who are placed in any of the events indicated under subparagraphs a) and b) above, and the partners of and co-owners with the individuals mentioned in such subparagraphs with whom they maintain any business relations. d) Any legal entities that are members of the corporate group or consortium to which the issuer belongs. The legal entities over which any of the persons mentioned in subparagraphs a) and c) above, exercise control or a significant influence. **Banks**. RPTs defined as transactions that result in a debtor of a commercial bank. Related parties defined as parties that directly/indirectly control >2% of the capital in the bank or its parent or intra-group member, directors, family members of directors or capital controllers, persons who may bind the institution with their signature, legal persons or entities controlling > 10% of capital, entities in which the institutions officers are directors or managers or members of the first three levels of hierarchy, entities in which any of the aforementioned people hold >10% capital or control transactions where a counterparty depends on any of the aforementioned parties.	Board shall also approve, with the opinion of the competent committee, the policies for granting loans or any other type of credits or collateral to related parties. According to Article 104 of the LMV, listed institutions shall submit to the Commission and the stock exchange, the relevant information for its immediate disclosure to the general public. This includes annual reports detailing the policies and operations as they pertain to related parties. At the end of the fiscal year, the committee entrusted with corporate practices duties shall prepare an annual report on RPTs, specifying in detail the characteristics of the significant transactions (Art. 43, I of LMV). This report is presented to the general shareholders' meeting held on the closing of the fiscal year (Art. 28, IV). In the Annual Report, there is a section called "RPTs and conflicts of interest" in which relevant transactions and loans that took place from the last 3 accounting years and until the date of the report, between the firm and its related parties, are described, indicating if they were executed under market conditions. In the case of banks, the Central Bank rules for transactions with relevant related parties require prior authorization from the central bank for asset or liability transfers exceeding 25% of Tier 1 capital in one year. A request for authorization must be signed by management of the institution, show board's approval and demonstrate that it would be an arm's length transaction. Other transaction below the 25% Tier1 threshold should also be reported to the central bank. No disclosure is required.Insurance institutions must make available to the public in general the Report on Solvency and Financial Condition (RSFC), which should be published on the insurance institution's website within ninety days following the close of the year concerned.	approval by the Board (Art.71, CUE). In the event that the transactions represent 20% or more of total assets, the approval of the general shareholders' meeting is required. Transactions with other companies in which the firm or its shareholders hold 10% or more of voting shares should also be disclosed. Also IFRS are used for the disclosure of RPTs. When firms engage in transactions with related parties that are material or may have an effect on the stock price, then an announcement is made to the public via a statement of relevant event. These statements are available in the website of the CNBV and are usually found in news and media. Material events must be disclosed. For example, an event is considered as relevant if the act, fact or episode in question, represents at least 5% of the total amount of assets, liabilities or consolidated capital, or alternatively 3% of total consolidated sales of the previous accounting year. **Banks**: This standard provides additional criteria for the identification of related parties operations and requires, among other issues, the disclosure of RPTs that exceed 1% of bank's regulatory capital, the total amount of related

	Definition of RPT	Requirements for financial institutions to adopt and disclose policies concerning how RPTs are identified and managed	Requirements for disclosing a definition of materiality or the criteria for determining material RPTs
	In addition, rules issued by the Central Bank of Mexico, define “relevant related parties” as those in the preceding paragraph together with all entities that are members of the corporate or business group controlling the bank, including any institutions with commercial links to them, and trusts in which the commercial banks or institutions referred hereto are trustors or trustees. **Insurers**. RPTs are business links through capital investment to obtain significant influence and patrimonial links through membership in a cooperative group.		parties transactions and the description of the nature of such transactions, among others. For **insurers,** it shall be taken into account the principle of relative importance. “The information is of relative importance if the risk derived from its omission or erroneous presentation affects the perception of general users in relation to their decision making. Consequently, there is little relative importance in those circumstances in which the events are trivial.
Russia	**Listed companies**. As defined in Federal Law for joint stock companies, a RPT is a transaction where a member of the executive board, the chief executive officer, management of the joint stock company or the entity which controls the joint stock company, a person authorised to give binding instructions or persons with spousal/familial relations of these parties or entities under control of these persons is: • a party, beneficiary or representative in the transaction; • a controlling person of a legal entity who is a party, beneficiary or representative in the transaction; • or a member of a governance body of a legal entity who is a party, beneficiary or representative in the transaction. Affiliated persons of credit institutions are defined as members of supervisory board, collegiate management body, persons with > 20% voting rights, legal entities in which the institution holds > 20% voting rights, employees of the group.	• Yes, listed companies are required to adopt procedures for identifying and managing RPTs. • Yes, disclosure requirements. **Listed companies**. Requirements for the disclosure of the information on the transactions effected by the joint-stock company are stipulated by the Regulation of the Bank of Russia No. 454-P ‘On the Disclosure of Information by Issuers of Issue-Grade Securities’ of 30/12/2014. Procedures for concluding transactions by interested parties, for approving such transactions, the consequences of noncompliance to the requirements to the transaction of interested parties are defined in Chapter XI of Federal Law No. 208-FZ. The information on interested party transactions is disclosed in accordance with Regulation No. 454-P. In particular, the information on approval of transactions recognised in accordance with the legislation of the Russian Federation as major transactions and (or) interested party transactions is	In accordance with Federal law No. 39-FZ ‘On Securities Market’ of 22/04/1996 for the purposes of disclosure ‘material facts’ mean any information the disclosure of which may exert significant impact on the value or quotation of issue-grade securities. Requirements for the disclosure of the information on the transactions effected by the joint-stock company are stipulated by the Regulation of the Bank of Russia No. 454-P ‘On the Disclosure of Information by Issuers of Issue-Grade Securities’ of 30/12/2014. **Banks**: Credit institutions disclose information about transactions with

	Definition of RPT	Requirements for financial institutions to adopt and disclose policies concerning how RPTs are identified and managed	Requirements for disclosing a definition of materiality or the criteria for determining material RPTs
	For the purpose of disclosure of the information on related parties by commercial firms (other than credit institutions) the term ‘related parties’ refers in general to legal entities and/or natural persons which are able to exert influence on the activities of the firm and vice versa. **Banks**: Banking instructions include parties capable of influencing decisions carrying credit risk.	subject to disclosure in the form of a statement (notification) about a material fact (in the context of the disclosure of the information on the meeting of the executive board of the issuer). Besides, the list of interested party transactions committed by the joint-stock company in the reporting year with the description of each transaction shall be disclosed in the annual report of a joint-stock company. **Banks**. Recently the Ministry of Finance of the Russian Federation has agreed on a bill establishing the requirement that the transactions of the credit institution with related parties must be carried out on market terms. It is planned that the law establishing this requirement will enter into force on 01/01/2017. Letter of the Bank of Russia No. 2-T "On Transactions with Related Parties and Assessment of Relevant Risks" of 17/01/2005 recommends banks to include into their internal documents concerning the organisation of activities the provisions on: 1) establishing limits in relative and (or) absolute (value) terms for RPTs bearing credit exposures, with the aim that below the limits RPTs shall not be subject to the approval by the executive board or the general meeting of shareholders (participants) of the bank; 2) in case of exceeding the limits indicated in item 1) - the need of evaluation of planned RPTs bearing credit exposures by the executive board or the general meeting of shareholders (participants) of the bank; 3) the need of evaluation by the executive board or the general meeting of shareholders (participants) of the bank of planned bearing credit exposures transactions in which there is an interest of related parties;	related parties as part of the explanatory information to the annual financial statements in accordance with the Annex to the Ordinance of the Bank of Russia No. 3081-U ‘On the disclosure of information by credit institutions on its activities’ of 25/10/2013. In addition, as a part of information on risks on a consolidated basis the parent company of a banking group discloses information about the segmentation of credit risk by counterparty type, including by a group of counterparties being related parties to the credit institution. The information on the conclusion of an interested party transaction by the issuer is disclosed in the form of a statement on a material fact if the amount of the transaction exceeds certain thresholds set by the Regulation No. 454-P. **Insurers**: Information is disclosed in adherence with national accounting standards 11/2008 ‘Information on related parties’ of 29/04/2008 and international accounting standards IAS24 ‘Related party disclosures’ of 28/12/2015.

	Definition of RPT	Requirements for financial institutions to adopt and disclose policies concerning how RPTs are identified and managed	Requirements for disclosing a definition of materiality or the criteria for determining material RPTs
		4) inadmissibility of extending loans to the bank related parties on more favourable terms compared to loans to other entities; 5) inadmissibility of making decisions on granting loans to insiders and other persons related to the bank, with the participation of interested in such decisions parties in the process of approving such decisions; 6) determination of credit risk assessment control procedures for transactions with related parties, as well as their implementation.	
Saudi Arabia	**Banks**. RPTs defined with reference to SAMA large exposure regulations. Includes any party that either exerts control over the bank or the bank exerts control over and includes directors, KMP, major shareholders (>10% voting rights) and external auditors including family members of the aforementioned parties. It also includes unincorporated establishments in which the aforementioned are partners, managers or have a direct financial interest as well as affiliated companies and associates linked via common parent or controlling shareholder. **Insurers.** RPTs defined with reference to the Insurance Corporate Governance Regulation. Defined as any transaction with close family members or any person with a business relationship what may influence the decision making process as well as any establishment where the BoDs has > 5% shareholding. **Other financial institutions**. RPTs defined with reference to listing rules. Includes affiliates, substantial shareholders, directives and senior executives or issuer and substantial shareholder, legal and financial advisors to the issuer, relatives and controlled companies of affiliates and shareholders.	• Yes, listed companies are required to adopt procedures for identifying and managing RPTs. • Yes, disclosure requirements. Listing rules require RPT disclosures jf >1% of revenue. Also detailed RPT disclosure in BoD report. RPT of BoD member must be approved by GSM. Notification of the BoD required conveyed to GSM and auditor. Also the member of BoD must inform the BoD of any personal interest he may have in the transactions or contracts made for the account of the company. The Listing Rules in article 41-11 require companies to disclose "Any transaction between the issuer and a related party or any arrangement through which the issuer and a related party invest in any project or asset or provide financing therefor if this transaction or arrangement is equal to or greater than 1% of the gross revenues of the issuer according to the latest audited annual financial statements. Article 43 (18-19) requires companies to include in there BoE report "a description of any transaction between the issuer and any related party" and "information relating to any businesses or contract to which the issuer is a party and in which a director of the issuer, the CEO, the CFO or any person related to any of them is or was interested, including the names of persons in relation, the	CMA consider all RPTs material. In the Listing Rules article 41 it is required by companies to disclose Material developments. Material and subject to immediate disclosure to the public any material developments in its sphere of activity which are not public knowledge and which may affect the assets and liabilities or financial position or on the general course of business of the issuer or its subsidiaries and which may: 1) lead to movements in the price of the listed securities; or 2) significantly affect an issuer's ability to meet its commitments in respect of debt instruments. Limits are in regulations and also must be determined by banks.

	Definition of RPT	Requirements for financial institutions to adopt and disclose policies concerning how RPTs are identified and managed	Requirements for disclosing a definition of materiality or the criteria for determining material RPTs
		nature, conditions, durations and the amount of the business or contract or if there are no such businesses or contracts, the issuer must submit an appropriate statement". **Banks**. SAMA Rules on Large Exposures specify that banks are required to adopt and implement policies regarding exposures to Related Parties. The disclosure of these policies and related financial information is governed by the IFRS requirements which are applicable to all banks in Saudi Arabia. **Insurers.** Disclosures in annual reports about any potential cases of conflict of interest and how they were addressed.	
Singapore	**Banks:** Under Monetary Authority of Singapore ("MAS") Notice 643[56], "related party transaction" is defined as "any transaction between a bank in Singapore or any entity in its bank group, and any of the bank's related parties". • A "related party" includes (a) any person in a director group, senior management group, financial group, substantial shareholder group or related corporation group, of the bank; and (b) any person whose interests, in the opinion of the board of the bank may conflict with those of the bank and who is specified by the board in the internal documents of the bank, as a related party of the bank. • "Bank group" – in relation to a bank incorporated in Singapore, means a group comprising all the branches of the bank located outside Singapore, its subsidiaries and any other entity treated as part of the bank's group of companies according to accounting standards; and	• Yes, listed companies are required to adopt procedures for identifying and managing RPTs. • Yes, disclosure requirements. CG Guidelines – FI must establish policies and procedures on RPTs, which include the definitions of relatedness, and the authorities and procedures for approving, monitoring and writing off of these transactions. RPT > specified amounts or otherwise posing special risks should be approved by the Board. Audit Committee should review all material RPTs. Banks must exercise appropriate oversight and control over such transactions to address the risks of conflicts of interest – must adopt special policy. Life Insurers must disclose to the policyholders via the product summary, the transactions between the insurers and their related parties. RPT disclosure required. Singapore FRS 24 Related Party Disclosures requires the disclosure of relationships, transactions and outstanding balances with related parties, including those with intragroup related parties. Relationships between a parent and its	The SGX Listing Manual requires companies listed in Singapore to make an immediate announcement of any interested person transaction of a value equal to, or more than, 3% of the group's latest audited net tangible assets, and valued at least S$100,000. They are also required to disclose all transactions (regardless of transaction value) if the cumulative transaction with that interested person and its associates is above the 3% threshold. An issuer must also disclose the aggregate value of interested person transactions entered into during the financial year under review in its annual report.

56 Effective 21 November 2018.

	Definition of RPT	Requirements for financial institutions to adopt and disclose policies concerning how RPTs are identified and managed	Requirements for disclosing a definition of materiality or the criteria for determining material RPTs
	– in relation to a bank incorporated outside Singapore, means a group comprising its subsidiaries, and any other entity treated as part of the bank's group of entities according to accounting standards, that is reflected as an investment in the books of the bank in Singapore in relation to its operations in Singapore. **Other listed financial institutions:** Under SGX Listing Rule 904, an interested person transaction is defined as a transaction between an entity at risk and an interested person, where the entity at risk is the issuer (or its unlisted subsidiary or unlisted associated company), and the interested person is a director, CEO, controlling shareholder, trustee-manager or investment manager of the issuer, or an associate of any such person.	subsidiaries shall be disclosed irrespective of whether there have been transactions between them. In addition, Singapore FRS 112 Disclosures of Interests in Other Entities requires adequate information to be provided for users to understand the composition of the group and the interest that non-controlling interests have in the group. SGX Listing Rules – A listed issuer must obtain shareholder approval for any interested person transaction of a value equal to, or more than 5% of the group's latest net tangible assets and valued at least $100,000. Shareholder approval is also required if the cumulative transactions with that interested person is above the 5% threshold during the same financial year. The interested person and any associate of the interested person must not vote on the resolution nor accept appointments as proxies unless specific instructions as to voting are given. In addition, banks are required to establish and implement policies and procedures on the identification of related parties and the setting of materiality thresholds, among others. A bank must subject every transaction that deviates from its RPT policies and procedures to independent review by senior management, who must escalate the transaction to the board for timely action if there is a risk of conflict of interest. Deviating transactions for which senior management assesses no such risk must be reported to the board on a quarterly basis. Banks are required to report to MAS the exposures and credit facilities granted to specified related concerns, and any exceptions to the banks' policies or procedures governing RPT.	**Banks:** Under MAS Notice 643, banks are not required to specifically disclose their definitions of materiality or their materiality thresholds. However, from 21 November 2018, under MAS Notice 639A, banks must report to MAS transactions exceeding their materiality thresholds. Banks must also report the specific materiality threshold breached, the details of the transaction and the reasons for which an exception was made for the transaction.
South Africa	**Listed companies**. RPTs are defined in JSE listing rules as transactions with subsidiaries or parties related to an issuer. The scope of related parties includes material shareholders, directors of the issuer or it holding company, advisers to issuers, principal executive officers, asset managers,	• Yes, listed companies are required to adopt procedures for identifying and managing RPTs. • No, disclosure requirements for insurers but there are requirements for banks.	**Banks**. Banks are required to define materiality in terms of their own business activities. Therefore the criteria and process to determine material related party's transactions

	Definition of RPT	Requirements for financial institutions to adopt and disclose policies concerning how RPTs are identified and managed	Requirements for disclosing a definition of materiality or the criteria for determining material RPTs
	controlling shareholders or associates. The Companies Act also regulates RPTs. **Banks.** Related party is any person over which a director or executive officer can exercise significant influence or undertakes business with to the extent if could materially influence the asset base, profitability or risk profile of the bank or its controlling company. **Insurers.** RPTs are not defined in the Short-term or Long-term Insurance Acts, however related parties are defined.	**Listed companies**. JSE rules requires that issuers establish and maintain a register of the disclosures made in terms of Section 56 of the Act. Furthermore, the issuer is to publish the beneficial interests of directors and major shareholders in its annual financial statements. An issuer that has received a notice regarding certain share transactions, in terms of Section 122(1) and (3) of the Companies Act, must, within 48 hours after receipt of such notice, publish the information contained in the notice on SENS. No such announcement shall be required in respect of notices received by the issuer and which relate to a disposal of less than 1% of the relevant class of securities, per Section 122(3) of the Act. **Banks:** Regulation 43 of the Banks Regulations deals specifically with public disclosure and covers disclosure of risky transactions undertaken by a bank. The Financial Markets Act provides in section 14 for disclosure of information by issuers of listed securities. The subsections of section 14 reads as follows: (1)(a) An exchange may require an issuer of listed securities to disclose to it any information at the issuer's disposal about those securities, or about the affairs of that issuer, if such disclosure is necessary to achieve one or more of the objects of this Act referred to in section 2. (b) An exchange may require the issuer to disclose that information to the registered holders of the securities, within a period specified by the exchange. (c) If the issuer refuses to disclose the information to the exchange or the registered holders of the securities, the exchange may, unless the issuer obtains a court order excusing it from such disclosure, suspend trading in those securities until such time as the required disclosure has been made to the satisfaction of the exchange.	will fall under the risk management process and is covered by Regulations 39 and 43. **Insurers.** Insurers are not required to publicly disclose RPTs.

	Definition of RPT	Requirements for financial institutions to adopt and disclose policies concerning how RPTs are identified and managed	Requirements for disclosing a definition of materiality or the criteria for determining material RPTs
		(2) When an issuer discloses information in terms of this section to the registered holders of securities that may influence the price of those securities, the issuer must at the same time make the information available to the public **Insurers.** The insurance regulatory framework currently does not require insurers to adopt and disclose policies concerning how RPTs are identified and managed. Accepted accounting standards such as IFRS do however require disclosures about transactions and outstanding balances with an entity's related parties.	
Switzerland	**Listed companies**: Publicly listed companies are required by the SIX Directive on Financial Reporting to adopt in the market segment "International Reporting Standard" either IFRS or US GAAP. Therefore the relevant standards have to be followed: In the case of IFRS, IAS 24 Related Party Disclosures and in the case of US GAAP, ASC 850 Related Party Disclosures have to be implemented and therefore the definitions according to those standards apply. **Banks**: "Related parties" is defined by a FINMA circular as "Natural or legal persons are considered to be related parties if one party is able to directly or indirectly exert a material influence on the financial or operational decisions of the other party (i.e. a company or a group of companies). Companies that are themselves controlled directly or indirectly by related parties are also considered to be related parties. For the purposes of this Circular, the following are in particular considered to be related parties: group companies, holders of qualified participations, linked companies, and members of governing bodies." **Non-banks:** A similar definition for related parties is used for non-banks (Swiss GAAP FER 15): "Parties (natural persons or legal persons) are considered to be related if one party has the	• Yes, listed companies are required to adopt procedures for identifying and managing RPTs. • Yes, disclosure requirements. **Listed companies**: Publicly listed companies are required by the SIX Directive on Financial Reporting to adopt in the market segment "International Reporting Standard" either IFRS or US GAAP. Therefore the relevant standards have to be followed: In the case of IFRS, IAS 24 Related Party Disclosures and in the case of US GAAP, ASC 850 Related Party Disclosures have to be implemented. **Banks:** Margin no. 216 of FINMA Circular 15/1 requires the Disclosure of amounts due from / to related parties. The details of the disclosure are set out in Margin no. A5-73 ff. of the Circular. The disclosure basically comprises the total amount per holders of qualified participations, group companies, linked companies, transactions with members of governing bodies and other related parties. In addition the bank has to confirm, that the transactions were conducted at terms in line with the market (i.e. at arm's length). If this is not the case, it must also give a description of the transactions, disclose the volume and the significant other conditions of the transactions.	There is no specific requirement to disclose the definition on "materiality". In Margin no. 21 and 22 of the FINMA-Circ. 15/1 "materiality" is described as follows: "Information must be material to the addressee's decision-making process. The term "material" covers all facts that impact the valuation and presentation of the financial statements as a whole or of individual items of the financial statements where the addressee's assessment of the financial statements would change if such facts had been considered. The materiality of an item of information is dictated by its nature and / or relative amount. In some cases, the nature of the information alone is sufficient to render it material. For example, information on related parties may be material owing to the type / nature of the relationship to the

	Definition of RPT	Requirements for financial institutions to adopt and disclose policies concerning how RPTs are identified and managed	Requirements for disclosing a definition of materiality or the criteria for determining material RPTs
	ability to directly or indirectly exercise significant influence on the other party (organisation) in making financial or operative decisions. Organisations that are controlled directly or indirectly by the same related parties are also considered to be related."		bank even if the volume of transactions between the related parties is small. Such information may not be omitted. If an accumulation of facts that are themselves immaterial is sufficient to exert a material influence on the financial statements, this must be taken into account." Paragraph 29 of the Framework of Swiss GAAP FER describes materiality as follows: "The information has to be material for the decision finding process of the addressee of the financial statements. Material are all facts that impact the valuation and presentation of the financial statements as a whole or of individual positions of the financial statements such, that the assessment of the addressee of the financial statements would change if such facts would had been considered. The materiality of an information is conditional on its nature and/or the relative amount. In some cases the nature of information is sufficient to be material. E.g. information with regard to related parties may be material due to the nature of their relationship to the organisation and may therefore not be omitted, even if the volume of transactions between the related parties is small. If an

	Definition of RPT	Requirements for financial institutions to adopt and disclose policies concerning how RPTs are identified and managed	Requirements for disclosing a definition of materiality or the criteria for determining material RPTs
			accumulation of immaterial facts leads to a material impact on the financial statements this is to be duly considered."
Turkey	**Banks**: The definition of the RPT in Capital Market Legislation is the same as its definition in the IFRS. **Insurers**: The answer for the other listed insurers is the same as the answer for the listed banks. **Other financial institutions**: The answer for the other listed financial institutions is the same as the answer for the listed banks.	• Yes, listed companies are required to adopt procedures for identifying and managing RPTs. • Yes, disclosure requirements. **Banks**: The requirements determined in IAS 24. According to Article 9 of Communique on Corporate Governance, with respect to the transactions between the corporations and subsidiaries thereof with their related parties, in certain cases. **Insurers**: The answer for the other listed insurers is the same as the answer for the listed banks. **Other financial institutions**: The answer for the other listed financial institutions is the same as the answer for the listed banks.	**Banks**: Financial institutions are not required to disclose the definition of materiality when disclosing material related party transactions separately. Material events are defined in Communique on Material Events Disclosure numbered II-15.1 as "insider or ongoing information which may affect the value or price of securities or the investment decisions of investors". In case that it has been decided to execute the RPT, the resolution of the BoD, direct or indirect relations among the parties of the transaction, feature of the transaction, a summary of the appraisal report including assumptions used in the appraisal and appraisal results; and in case that the transactions have not been fulfilled in accordance with the results obtained in the appraisal report, the ground for this situation shall be disclosed. **Insurers**: The answer for the other listed insurers is the same as the answer for the listed banks. **Other financial institutions**: The answer for the other listed financial

	Definition of RPT	Requirements for financial institutions to adopt and disclose policies concerning how RPTs are identified and managed	Requirements for disclosing a definition of materiality or the criteria for determining material RPTs
			institutions is the same as the answer for the listed banks.
United States	The definition and disclosure of RPTs are governed by several sources: state law; the federal securities laws and the regulations adopted by the SEC under those laws; U.S. GAAP; and stock exchange rules. *State Law*. In general, Delaware law prohibits a publicly held Delaware corporation from engaging in a "business combination" with any "interested stockholder" for a three-year period following the time that such stockholder becomes an interested stockholder, unless the business combination is approved in a prescribed manner. Delaware corporate law also provides guidance in the form of a safe harbor statute indicating that transactions involving conflicts of interest will not be invalidated if certain procedural protections are in place. Under this safe harbor statute, an interested-director transaction will not be void or voidable merely because those approving it are conflicted, if it is approved, on a fully informed basis, either by a majority of the disinterested directors or by stockholders, or if it is fair to the corporation *Federal Securities Laws*. Generally speaking, instead of regulating related party transactions, the federal securities laws and SEC regulations require disclosure of these transactions. However, as discussed below, in the Sarbanes-Oxley Act, Congress adopted an outright ban on most personal loans by a public company to its officers and directors. The definition of "related person" requires disclosure of related person transactions involving the company and a person (other than a significant shareholder or immediate family member of such shareholder) that occurred during the last fiscal year, if the person was a "related person" during any part of that year.	• Yes, listed companies are required to adopt procedures for identifying and managing RPTs. • Yes, disclosure requirements. Companies are required to disclose information about RPTs under Item 404 of Regulation S-K. The federal securities laws require that companies describe their policies and procedures for the review, approval, or ratification of RPTs. While the federal securities laws address disclosure of the policies and procedures for the review, approval, or ratification of RPTs, they do not require that companies adopt such policies. However, exchange rules generally require shareholder approval for certain RPTs and/or that appropriate groups within the company, such as the audit committee, review and evaluate RPTs on an ongoing basis for potential conflict of interest situations. Exchange rules also generally require that listed companies adopt and publicly disclose a code of business conduct and ethics for directors, officers and employees that addresses conflicts of interest and corporate opportunities. The SEC's rules require a description of the company's policies and procedures for the review, approval, or ratification of transactions with related persons that are reportable under paragraph (a) of Item 404. The description must include the material features of these policies and procedures that are necessary to understand them. While the material features of these policies and procedures will vary depending on the particular circumstances, examples of such features may include, among other things: • the types of transactions that are covered by the policies and procedures;	No. Companies are not required to specifically disclose their definition of materiality because the definition of RPTs is well-defined under the federal securities laws, U.S. GAAP, and exchange rules. **Banks**: Under section 23A of the Federal Reserve Act, the term "affiliate" is defined broadly to include any entity that directly or indirectly controls, or is under common control with, the bank. Related parties can include, among other things, the bank's subsidiaries, affiliates, and any party (including their subsidiaries, affiliates and special purpose entities) that the bank exerts control over or that exerts control over the bank, the bank's major shareholders, board members, senior management and key staff, their direct and related interests, and their close family members as well as corresponding persons in affiliated companies. Regarding subsidiaries of banks, only insured depository institutions and financial subsidiaries of banks would be covered as "affiliates" under sections 23A and 23B of the Federal Reserve Act. Most

	Definition of RPT	Requirements for financial institutions to adopt and disclose policies concerning how RPTs are identified and managed	Requirements for disclosing a definition of materiality or the criteria for determining material RPTs
	U.S. GAAP Disclosure Requirements. Public companies are required to ensure that related party transactions are identified, accounted for, and adequately disclosed in their financial statements. In the United States, public companies are required to follow U.S. GAAP with respect to the definition of related parties and the disclosure of related party transactions. *Stock exchange rules* also define related party transactions and prescribe rules concerning transactions. The New York Stock Exchange rules, for example, provide that related party transactions normally include transactions between officers, directors, and principal shareholders and the company.	• the standards to be applied pursuant to the policies and procedures; • the persons or groups of persons on the BoDs or otherwise who are responsible for applying the policies and procedures; and • whether the policies and procedures are in writing and, if not, how the policies and procedures are evidenced. **Banks**: Pursuant to section 5 of the Bank Holding Company Act (12 U.S.C. § 1844), all top-tier bank holding companies and foreign banking organisations that own a U.S. subsidiary bank must file with the FRB an FR Y-8 report (Bank Holding Company Report of Insured Depository Institutions' Section 23A Transactions with Affiliates). The information in this quarterly report is used to enhance the FRB's ability to monitor the holding company's exposure to affiliates and to ensure compliance with § 23A of the Federal Reserve Act (see discussion in answer to Question 15). The FR Y-8 report contains multiple items requiring filers to disclose their aggregate exposures to affiliates—both transactions that are subject to and transactions that are not subject to § 23A's collateral requirements. The federal banking agencies also require reporting of insider lending transactions, and federal banking supervisors ensure that the amount of credit extended to an insider, both to a single insider borrower and in the aggregate to all insiders, conforms to the provisions of Regulation O. As supervisors review individual transactions they note any transactions with affiliated organisations and insiders that do not appear in the bank's or holding company's reports of related exposures. **Insurers**: State insurance regulation (see response to question #13 for statutory authority) requires disclosure through the	subsidiaries of banks are not affiliates for purposes of section 23A. Section 23B (12 U.S.C. § 371c-1) covers a wider range of activities than section 23A. It covers virtually any type of financial transaction between a bank and an affiliate. Section 23B provides that transactions between a bank and its affiliates must be on terms and under circumstances, including credit standards, that are substantially the same or at least as favourable to the bank as those prevailing at the time for comparable transactions with or involving non-affiliated companies. Related party transactions include on-balance sheet and off-balance sheet credit exposures and claims, as well as, dealings such as service contracts, asset purchases and sales, construction contracts, lease agreements, derivative transactions, borrowings, and write-offs. The term transaction should be interpreted broadly to incorporate not only transactions that are entered into with related parties but also situations in which an unrelated party (with whom a bank has an existing exposure) subsequently becomes a related party.

	Definition of RPT	Requirements for financial institutions to adopt and disclose policies concerning how RPTs are identified and managed	Requirements for disclosing a definition of materiality or the criteria for determining material RPTs
		public Notes to Financial Statements regarding all material RPTs.	

Annex D: Disclosure and transparency – Foreseeable risk factors

	Do the narrative disclosures (e.g. as notes to the financial statements or as management commentary) cover the risk profile of the financial institution regarding:			
Jurisdiction	**(a) financial market risks, including interest rate, currency risk and underwriting risk**	**(b) risks related to derivatives and off-balance sheet transactions**	**(c) business conduct risks**	**(d) Risks related to the environment?**
Argentina	Y	Y	NA	Y
Australia	Y	Y	Y	Y
Brazil	Y	Y	NA	NA
Canada	Y	Y	Y for publicly listed securities issuers; otherwise N	Y for publicly listed securities issuers if material; under consideration for others
China	Y	Y	Y	Y
European Union	Y	Y	Y	Y
France	Y	Y	Y	Y
Germany	Y	Y	Y	Y
Italy	Y	Y	Y	Y
Netherlands	Y	Y	Y	Y
Spain	Y	Y	Y	Y
United Kingdom	Y	Y	Y	Y
Hong Kong	Y	Y	Y (within operational risk)	Encouraged
India	Y	Y	NA	NA
Indonesia	Y	Y	Y (within strategic risk)	Y (in sustainability report)

	Do the narrative disclosures (e.g. as notes to the financial statements or as management commentary) cover the risk profile of the financial institution regarding:			
Jurisdiction	**(a) financial market risks, including interest rate, currency risk and underwriting risk**	**(b) risks related to derivatives and off-balance sheet transactions**	**(c) business conduct risks**	**(d) Risks related to the environment?**
Japan	Y	Y	Y	Disclosure of non-financial information is encouraged
Korea	Y	Y	Y (within operational risk)	Disclosure of non-financial information is encouraged
Mexico	Y	Y	Y	Y
Russia	Y	Y	Y	NA
Saudi Arabia	Y	Y	Voluntary	Voluntary
Singapore	Y	Y	Voluntary	Y
South Africa	Y	Y	Y	Y
Switzerland	Y	Y	Y (within operational risk)	Y (for material insurance risk)
Turkey	Y	Y	Y	Y
United States	Y	Y	Y	Y

Annex E: The responsibilities of the board – Audit and risk management committees

	Audit Committee				Risk Management Committee			
	Required*	**Chaired by independent director***	**All members must be independent or NEDs***	**Comments (banks, insurers, other)**	**Required***	**Chaired by independent director***	**All members must be independent or NEDs***	**Comments (banks, insurers, other)***
Argentina	R	R, CGC	No	PLI	CGC	CGC	No	PLI
Australia	Prudential regulatory authority: R Australian Securities Exchange: L for those firms included in the ASX300 index; CGC, all others on a "if not, why not" basis.	Prudential regulatory authority: R Australian Securities Exchange; L and CGC, requirement that the audit committee be chaired by an independent director who is not the chairman of the board.	Prudential regulatory authority: R, all members must be NED with majority ID Australian Securities Exchange: L and CGC, at least three members, all of whom are NEDs and a majority of whom are IDs. For entities not in ASX 200, this is an 'if not, why not' requirement.	Prudential regulatory authority: Requirements apply to all banks and insurers. Australian Securities Exchange: L and CGC apply equally to all listed entities, regardless of sector.	Prudential regulatory authority: R Australian Securities Exchange: CGC, the requirement for entities to have a committee to manage risk applies to all listed entities on an 'if not, why not' basis.	Prudential regulatory authority: R Australian Securities Exchange: CGC, chaired by an ID	Prudential regulatory authority: R, all members must be NED with majority ID Australian Securities Exchange: CGC, at least three members, a majority of whom are IDs ('if not, why not').	Prudential regulatory authority: Requirements apply to all banks and insurers. Australian Securities Exchange: L and CGC apply equally to all listed entities, regardless of sector. If there is no risk committee, this fact and the process to oversee risk must be disclosed.

	Audit Committee				Risk Management Committee			
	Required*	Chaired by independent director*	All members must be independent or NEDs*	Comments (banks, insurers, other)	Required*	Chaired by independent director*	All members must be independent or NEDs*	Comments (banks, insurers, other)*
Brazil	R	No	No	B and O (above a size threshold). Insurers follow CVM regulation, which also requires an audit committee from publicly held corporations.	Regulatory authority: R Others: CGC	Yes for systemically important financial institutions; otherwise, no requirement No	For systemically important financial institutions, a majority must be independent; otherwise, no requirement No	The requirement that a majority of the risk management committee, and the chair, be independent, applies only to systemically important financial institutions licensed by the central bank and enters into force on 22 August 2017.
Canada	R	PLI - R	PLI – Yes Banks, trust and loan – the majority of members must be non-affiliated		No CGC	No	No	Large complex bank and insurers
China	R, CGC	R, CGC	For insurance, all NED; for others, a proper portion of ID.	Banks, insurers, securities companies	R, CGC (no for insurance)	No	No	Banks, securities companies
European Union	R	R	Members must be NED with majority ID	Applicable to all types of undertakings Exemptions from the obligation to have an audit committee may be granted to audited entities that are for instance:	R	Non-executive	All NEDs	For significant credit institutions and investment firms.

	Audit Committee				Risk Management Committee			
	Required*	**Chaired by independent director***	**All members must be independent or NEDs***	**Comments (banks, insurers, other)**	**Required***	**Chaired by independent director***	**All members must be independent or NEDs***	**Comments (banks, insurers, other)***
				• A small or medium-sized undertaking and the functions of the audit committee are performed by an administrative or supervisory body; • PIEs with a body performing equivalent functions to an audit committee in accordance with legal provisions in the Member State in which the entity is registered; • PIEs which are undertakings for collective investment in transferable securities (UCITS) or alternative investment funds.				
France	R, CGC	No	Members must be NED with two-third ID	PLI as well as to the credit institutions insurance, reinsurance and mutual companies	Insurance - No Bank - L	Banks - No - Non-Executive director	All NEDs	
Germany	Banks - R Insurers – CGC	Banks - R Insurers – CGC	Banks - R Insurers – CGC		Banks - R Insurers - No	Banks - R Insurers - No	Banks - R Insurers - No	For significant credit institutions and investment firms
Italy	R	R	Members must be NED with majority ID	Banks (Control Board) All companies according to company law	R	R	Members NEDs with majority IDs.	Banks

	Audit Committee				Risk Management Committee			
	Required*	**Chaired by independent director***	**All members must be independent or NEDs***	**Comments (banks, insurers, other)**	**Required***	**Chaired by independent director***	**All members must be independent or NEDs***	**Comments (banks, insurers, other)***
			Members of the board of statutory auditors (the "control body") shall be independent					
	CGC	CGC	Members must be NED with majority ID	Others (Control Board)	CGC	CGC	Members NEDs with a majority IDs	Others
Netherlands	No	CGC	No		No response provided			
Spain	R	R	All members NED and majority ID.	PLI	R	R	All members NED and, at least, 1/3 of ID.	Compulsory for credit institutions with total assets > € 10 billion. Credit institutions with total assets < than € 10 billion can establish a mixed audit committee that will assume the risk management committee competences. Concerning public interest entities other than credit institutions (including listed entities and

	Audit Committee				Risk Management Committee			
	Required*	Chaired by independent director*	All members must be independent or NEDs*	Comments (banks, insurers, other)	Required*	Chaired by independent director*	All members must be independent or NEDs*	Comments (banks, insurers, other)*
								insurance undertakings) they are not obliged to have a risk committee but are obliged to set up an audit committee. This audit committee has the responsibility of supervising and monitoring the efficiency of the company's internal control, internal audit and risk management systems.
United Kingdom	R	R, O & CGC	The audit committee of a significant firm (stand alone or parent) should consist entirely of independent NEDs. For other firms, audit committees must consist entirely of NEDs provided the majority, including the chairman are independent NEDs.	Applies to all CRR credit institutions, Solvency II insurers, the Society of Lloyd's and managing agents and PRA designated investment firms.	R	R & O	Must not perform any executive function in the firm	Applies to all CRR regulated firms defined as significant.

	Audit Committee				Risk Management Committee			
	Required*	Chaired by independent director*	All members must be independent or NEDs*	Comments (banks, insurers, other)	Required*	Chaired by independent director*	All members must be independent or NEDs*	Comments (banks, insurers, other)*
Hong Kong	L	L	All NEDs, majority must be IDs	PLI	No	No	No	PLI
	Banks: O	O	All members must be NEDs with the majority as IDs	Applies to all local incorporated AIs under HKMA guidelines	O	O	Majority of members must be IDs	Licensed banks and any other designated AIs
	CGC	CGC	CGC (preferably in majority)	Insurance	CGC	No	CGC (preferably in majority)	Insurance
India	R, CGC	R	Two-thirds of the members of audit committee shall be independent directors	PLI, All insurers	R, CGC	Chaired by any member of the Board.	Majority members to be the members of the Board.	Top 100 listed institutions by market cap (mandatory for all insurers; can be merged with the ALM committee)
Indonesia	R	R	All members must be ID	PLI Banks	R	R	Banks - ID Insurance - No	Banks and Insurance
Japan	R	No	Majority	Applicable to all				
Korea	R	R	Outside directors form more than 2/3 of board committee members		R	R	Majority ID	
Mexico	R	R	All members must be ID; for banks, at least 1 must be ID	Listed financial groups	R	R	No	Listed banks
	R	R	At least 1 ID	Insurance	CGC	O		Insurance

	Audit Committee				Risk Management Committee			
	Required*	**Chaired by independent director***	**All members must be independent or NEDs***	**Comments (banks, insurers, other)**	**Required***	**Chaired by independent director***	**All members must be independent or NEDs***	**Comments (banks, insurers, other)***
Russia	R,L,CGC (required for Tier 1 and Tier 2 listed companies)	R,L, CGC (required for Tier 1 and Tier 2 listed companies)	Yes (required for Tier 1 and Tier 2 listed companies)	Listed entities. Recommended for other issuers but not mandatory.	CGC	CGC	No, committee should comprise independent directors	Non-binding for listed entities
Saudi Arabia	R & CGC	R & CGC	All members should be NED and chairman should be ID.	Banks- Committee is required to setup by the insurance and other financial institutions, however, there is no requirement that committee is to be chaired by the ID and or all members must be NED or ID	R & CGC	R & CGC	All members should be NED and chairman should be ID.	Banks - As given for Audit Committee
Singapore	R	R	- Comprises of at least 3 members of the board, all of whom are independent from management and business relationships - At least a majority of directors who are ID	R: Banks, relevant financial holding companies (FHCs), Tier 1 insurers (Not required for Tier II insurer), approved exchanges, approved clearing houses and approved holding companies CGC: Other financial institutions listed on the SGX-ST	R	Chairman must be non-executive	- Comprises of at least 3 members of the board - At least a majority of directors who are non-executive directors	- Banks - Relevant FHCs - Tier 1 insurers (Not applicable for Tier 2 insurer and other financial institutions)
South Africa	R, L, CGC	R, L, CGC	Members must be NED with majority ID	Banks	R, L, CGC	R, L, CGC	At least 3 members, of which 2 are NED.	Banks
	R, L, CGC	R, L, CGC	Members must be NED	Insurance	R, L, CGC	R, L, CGC	At least 3 members who may be NED or	Insurance

	Audit Committee				Risk Management Committee			
	Required*	**Chaired by independent director***	**All members must be independent or NEDs***	**Comments (banks, insurers, other)**	**Required***	**Chaired by independent director***	**All members must be independent or NEDs***	**Comments (banks, insurers, other)***
							ED. Chairperson should be NED.	
Switzerland	R, CGC	L, CGC	L, CGC	CGC: all corporations R: For banks of certain size R:For insurers, depending on size and complexity of company L: For banks all BoD members must be non-executive	R	L	L	R:For insurers, depending on size and complexity of company L: For banks all BoD members must be non-executive
Turkey	R	R	R	Banks	No	No	No	Audit committee performs the role of RM.
	R	R	All members - ID	Except banks	R	R	Majority of members - NED	Except banks
United States	R / L	R / L	R / L	Publicly listed companies	No	No	No	

* R = Law/Regulation; L = Listing rules; CGC = Corporate Governance Code; O = Other; No = Not required

ID = Independent Director; NED = Non-Executive director; PLI - Publicly listed institutions

Annex F: The responsibilities of the board – Remuneration and nomination committees

	Remuneration Committee				Nomination Committee			
	Required*	**Chaired by Independent Director***	**All members must be independent or NEDs**	**Comments (banks, insurers, other)**	**Required***	**Chaired by Independent Director***	**All members must be independent or NEDs**	**Comments (banks, insurers, other)**
Argentina	CGC	CGC	No	PLI	CGC	CGC	No	PLI
Australia	Regulatory authority: R Australian Securities Exchange: L for those firms included in the ASX300 index; CGC for all others on a "if not, why not" basis.	Regulatory authority: R Australian Securities Exchange: CGC, chaired by an ID.	Regulatory authority: R, all members must be NEDs and a majority must be IDs. Australian Securities Exchange: L, for firms in the ASX 300 the remuneration committee must be comprised solely of NEDs; CGC, at least three members, a majority of whom are IDs ('if not, why not').	Regulatory authority: Requirements apply to all banks and insurers. Australian Securities Exchange: L and CGC apply equally to all listed entities, regardless of sector.	Regulatory authority: R Australian Securities Exchange: CGC, applies to all listed firms on an "if not, why not" basis.	Regulatory authority: R Australian Securities Exchange: CGC, chaired by an ID (if not, why not).	Regulatory authority: R, all members must be NEDs and a majority must be IDs. Australian Securities Exchange: CGC, at least three members, a majority of whom are IDs ('if not, why not').	Regulatory authority: Requirements apply to all banks and insurers. Australian Securities Exchange: L and CGC apply equally to all listed entities, regardless of sector.
Brazil	R	No	No	B and O - above a size	No			
Canada	No – CGC (Guidance only)			Financial institutions (limited to publicly listed entities under provincial jurisdiction).	No – CGC for banks and insurers Yes – L for securities firms			Financial institutions (limited to publicly listed entities under provincial jurisdiction).

	Remuneration Committee				Nomination Committee			
	Required*	**Chaired by Independent Director***	**All members must be independent or NEDs**	**Comments (banks, insurers, other)**	**Required***	**Chaired by Independent Director***	**All members must be independent or NEDs**	**Comments (banks, insurers, other)**
China	R, CGC	R, CGC	For insurance, all NED. No such requirement for other financial institutions.	Banks, insurers, securities companies	R, CGC	R, CGC	For insurance, all NED. No such requirement for other financial institutions.	Banks, insurers, securities companies
European Union	R	Not independent, but director who has no executive functions in the institution (NED)	All NEDs	For significant credit institutions and investment firms	R	NE	All NEDs	For significant credit institutions and investment firms
	LE - O	No	Members should be NED with majority ID	For listed entities	LE - O	No	A majority should be NED and ID	For listed entities
	FM - O	NEDs	NEDs	For significant AIFMs and UCITS				
France	LE - CGC B - R I - R	LE - CGC B - No I – No	LE - Members must be non-executive with majority ID B - NE I - ID		LE - CGC B - R	LE - No B - No	LE - NED B - NED	
Germany	Banks - R Insurers - No	Banks - R Insurers - No	Banks - R Insurers - No	For significant credit institutions and investment firms	Banks - R Insurers - No	Banks - R Insurers - No	Banks - R Insurers - No	For significant credit institutions and investment firms

	Remuneration Committee				Nomination Committee			
	Required*	**Chaired by Independen t Director***	**All members must be independent or NEDs**	**Comments (banks, insurers, other)**	**Required***	**Chaired by Independent Director***	**All members must be independent or NEDs**	**Comments (banks, insurers, other)**
Italy	R	R	Members NEDs with majority IDs.	Banks	R	R	Members NEDs with majority IDs.	Banks
	CGC	CGC	Not all members	Others	CGC	CGC	Not all members	Others
Netherlands	No	CGC	No	No more than one member of the remuneration committee may be a member of the management board.	No	No		
Spain	R	R	All members NE and, at least, two of them independent (1/3 for credit institutions).	Applicable to all listed companies. Mixed remuneration and nomination committee for credit institutions with assets < than € 10 billion. Listed companies (which are not credit institutions) are only obliged to have a single mixed remuneration and nominations committee. Only as a recommendation of the Good Governance Code this committee should be split in two different committees.	R	R	All members NE and, at least, two of them independent (1/3 for credit institutions).	Applicable to all listed companies. Mixed remuneration and nomination committee for credit institutions with assets < than € 10 billion. Listed companies (which are not credit institutions) are only obliged to have a single mixed remuneration and nominations committee. Only as a recommendation of the Good Governance Code this committee should be split in two different committees.
United Kingdom	R	R & CGC & O	Must not perform any executive function in the firm.	Applies to all CRR regulated firms defined as significant.	R	R & O	Must not perform any executive function in the firm.	Applies to all CRR regulated firms

	Remuneration Committee				Nomination Committee			
	Required*	**Chaired by Independent Director***	**All members must be independent or NEDs**	**Comments (banks, insurers, other)**	**Required***	**Chaired by Independent Director***	**All members must be independent or NEDs**	**Comments (banks, insurers, other)**
								defined as significant.
Hong Kong	L	L	Majority must be IDs	PLI	CGC	CGC (or Board Chair)	Majority must be IDs	PLI
	O	O	All IDs or if NEDs are involved, the majority of members must be IDs	Licensed banks and any other designated AIs	O	O	Majority of members must be IDs	Licensed banks and any other designated AIs
	No	CGC (if established)	No	Insurance	No	No	No	Insurance
India	R	R	All NED. Majority ID.	All listed institutions	R	R	All NED. Majority ID.	All listed institutions
Indonesia	R	R	The members shall be: the member of BoC; individual from outside of the company; or individual in the managerial position below BoD that handles human and resources.	PLI	R	R	The members shall be: the member of BoC; individual from outside of the company; or individual in the managerial position below BoD that handles human and resources.	PLI
Japan	R	No	Majority	Applicable to all	R	No	Majority	Applicable to all
Korea	R	R	Outside directors form the majority of board committee members		R	R	Outside directors form the majority of board committee members	

	Remuneration Committee				Nomination Committee			
	Required*	**Chaired by Independent Director***	**All members must be independent or NEDs**	**Comments (banks, insurers, other)**	**Required***	**Chaired by Independent Director***	**All members must be independent or NEDs**	**Comments (banks, insurers, other)**
Mexico	R	R	At least two members from the Board of Directors, being one of them independent and chairman of the committee.	Listed banks	No	No	No	No
	CGC	O	A policy to be formed and disclosed to public on remuneration	Insurance				
Russia	R, L, CGC (required for Tier 1 listed companies)	L, CGC (recommended)	R - all members must be ID or NED (required for Tier 1 listed companies). CGC - all members must be ID (recommended)	PLI. Banks. Recommended for other issuers but not mandatory.	R,L,CGC (required for Tier 1 listed companies)	CGC (recommended)	No, majority of committee should be ID	PLI. Recommended for other issuers but not mandatory.
Saudi Arabia	R & CGC	R & CGC	All members NED and Chairman be ID	Banks - As given for Audit Committee	R & CGC	R & CGC	All members NED and Chairman be ID	Banks - As given for Audit Committee
Singapore	R	R	- Comprises of at least 3 members of the board - At least a majority of directors who are ID	- Banks - Tier 1 insurers - Approved Exchanges, Approved Clearing Houses and Approved Holding Companies - Relevant FHCs	R	R	- At least a majority of directors who are ID	- Banks - Tier 1 insurers - Relevant FHCs - Approved Exchanges, Approved Clearing Houses and Approved Holding Companies
South Africa	R, L, CGC	R, L, CGC	Yes	Banks	R, L, CGC	CGC	No	Banks
	R, L, CGC	R, L, CGC	No	Insurance	L, CGC	No	No	Insurance

	Remuneration Committee				Nomination Committee			
	Required*	**Chaired by Independent Director***	**All members must be independent or NEDs**	**Comments (banks, insurers, other)**	**Required***	**Chaired by Independent Director***	**All members must be independent or NEDs**	**Comments (banks, insurers, other)**
Switzerland	R, CGC	L	L	CGC: all corporations R:For all financial institutions L: For banks, all board members must be non-executive	R, CGC	L	CGC (predominantly), L	CGC: all corporations R: For insurers, depending on size and complexity of company L: For banks all BoD members must be non-executive
Turkey	R	R	R	Banks	No	No	No	Banks
	R	R	Majority of members - Nonexecutive	Except banks	R	R	Majority of members - Nonexecutive	Except banks
United States	R / L	R / L	R / L	PLI	L	L	L	PLI

* R = Law/Regulation; L = Listing rules; CGC = Corporate Governance Code; O = Other; No = Not required

ID = Independent Director; NED = Non-Executive director; PLI - Publicly listed institutions; LE = Listed entities; FM = Fund managers

Annex G: The responsibilities of the board – Other required board committees

	Required*/ Name of committee	Chaired by Independent Director*	All members must be independent or NEDs	Comments (banks, insurers, other)
Canada	R Conduct Review Committee Conflicts of interest Customer disclosure and complaints	No	No	Applies to federally regulated financial institutions, including banks, insurers, trust and loan companies, and cooperative credit associations.
India	R Stakeholders Relationship Committee	To be chaired by NED	The board of directors shall decide other members of this committee.	PLI
Mexico	R Corporate Practice Committee (responsible for remuneration)	No	Independent or at least majority independent if the issuer is controlled by an individual or corporate entity or group of individuals or corporate entities holding 50% or more of the corporate capital.	Listed financial groups
	R (Investment Committee, Advisory Committee for re-insurance, Underwriting Committee)	No	No	Insurance
Indonesia	R a) Internal Audit Unit b) Corporate Secretary c) Integrated Corporate Covernance Committee (required for Financial Conglomeration)	R	a. No b. No c. Yes	PLI
Saudi Arabia - Executive Committee	Corporate Governance Committee	Chaired by CEO	Comprises of five directors - executive and non-executives.	PLI
Turkey	R Corporate Governance Committee	R	Majority of members - NED	Applies to all PLI (in cases where the structure of the board of directors does not enable the establishment of separate nomination and compensation committees, the corporate governance

				committee shall fulfill the duties of such committees.)

* R = Law/Regulation; L = Listing rules; CGC = Corporate Governance Code; O = Other; No = Not required

ID = Independent Director; NED = Non-Executive director; PLI - Publicly listed institutions