

Basel Committee of Banking Supervision

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## **Corporate Governance Principles for Banks - Consultative Document**

The Division Bank and Insurance of the Austrian Federal Economic Chamber, as representative of the entire Austrian banking industry, appreciates the possibility to comment on the document "Corporate Governance Principles for Banks" and would like to submit the following position:

We welcome that the paper reflects proportionality and differences in governance approaches.

The proposed principles are already widely covered by CRD IV and the respective implementation in EU member states. Thus, for instance tasks of the remuneration committees are already set and there is no need for further compensation committees.

In particular, we would like to submit the following comments:

### **Definition of senior management / board of directors:**

The terms "senior management", "board of directors" and "board" are not very consistent. What is meant by "senior management"? In case the term "management body" is used, we ask for clarification whether this means the executive, supervisory, director/staff level below the board. We suggest to use the definition of "management body" as defined in CRD IV, Art. 3.

### **Independence of directors:**

By no means should "undue influence" be defined along a list of formal criteria. Due to the variety of governance structure this might lead to undue restrictions. Independence of directors should be subject to a declaration/self evaluation with regards to his/her connection to the financial institution and the internal evaluation by the financial institution. Also, directors recruited from the shareholder/customer base should not be per se considered as dependent. It should be allowed to recruit board and committee members from the bank's shareholder/customer base. Also, board members in any cooperative of a group of cooperatives who are also members of the senior management/director/managing director/board member in another cooperative of the group shall be deemed independent for the purpose of application of the guidelines.

**Nomination of independent directors to committees:**

We disagree with the principles that require a certain number of independent members/fully independent committees. Such provisions would not automatically lead to a better oversight and control. We understand the importance to avoid conflicts of interests and the importance of independence of minds. However we do not believe that not being involved in any management function of the bank helps to increase the quality of committee's work.

**Review of the structure of the board of directors:**

The evaluation of the structure is already covered in CRD IV and the respective national implementation.

**Chair of the board:**

We disagree that the Chairman of the Board is not allowed to serve as chair of any board committee.

**Disclosure and transparency:**

We disagree with the proposal to extend disclosure and transparency principles to non-listed banks. In particular the requirement to disclose recruitment approaches seems out of proportion (para 154).

Please give our concerns due consideration.

Yours sincerely,

Dr. Franz Rudorfer  
Managing Director  
Division Bank and Insurance