

Dear Sir / Madam,

Having reviewed your recent consultative document on the principles for enhancing corporate governance within banking organisations with great interest, I hereby submit the following high-level comments in some of the main areas for your consideration. Should you require further detail or clarification, I am able to provide these to you. My details are enclosed below for any contact:

General Comments:

1) Tone of the report - There is much potential for regulators, observers and international bodies to facilitate some fundamental changes aimed at improving the socio-economic contribution of banks, at this critical juncture in the context of the clear evidence of the broader social consequences of irresponsible banking and light-touch regulation, which have been amply brought to light by the recent banking crisis. It is therefore vital that a committee of the stature of the BCBS, and reports of this nature, take a robust and honest stance to face the current problems squarely and instigate more stringent actions to remedy the failings which are apparent. Although the Committee clearly recognises the public costs and consequences of banking failure and this is reflected within some key areas within the report, I was disappointed to find that in certain other areas the blandness of the present report and the absence of detail and precision serve so as not to sufficiently assert the BCBS's leadership role in setting the agenda for changes to banking governance and practice.

2) Stakeholder interests - It is essential that more attention is paid to the protection of stakeholder interests. In particular I would draw your attention to points 7a and 7d below

Specific Comments - Section A:

1) Oversight of senior management :

1a) In points 26, 27 and 28 (pg 8) the report rightly emphasises the need for the Board to ensure that senior / executive management are accountable to the Board for managing the strategy, policies and behaviour of the firm in accordance with the the firm's risk appetite.

1b) Here it is vital to add a further note of guidance (in section IV p 29) to supervisors such that supervisors should appropriately ascertain whether or not the Board has a clear statement of risk appetite. It is also important for the Board to demonstrate to supervisors that substantive tools are available so that the firm's executive management can provide comfort to the board that the firm's day to day risk profile is consistent and responsive to that appetite.

1c) Activities that enhance or detract from banks' risk culture and the presence or absence of procedures and policies are also an indication of the observed risk appetite of the firm. The position of these should therefore be duly noted by the supervisor in any assessment of the efficacy of the Board and the firm's executive management.

1d) In respect of point 28, it is essential that the BCBS puts forward greater guidance on its expectations regarding the nature and extent of control resources and the visibility and position of the control functions.

1e) Point 30 mentions briefly the need to discourage excessive risk-taking. This point needs to be further elaborated upon and the interests of stakeholders should be given prominence and consideration as current governance arrangements which inordinately rely upon shareholder intervention to address governance failings

have not been able to address the short-termist views exercised by management and certain shareholders.

2) Board's Own Practices and Structure

2a) Point 45 - It is essential that in the interest of independent scrutiny, the BCBS more strongly recommends (in section IV p 29) that national regulators ensure that there is a separation of executive and non-executive responsibilities between that CEO and Chairman. Currently the first sentence of this point refers more gently to current practice rather than prescribed practice.

2b) Point 46 - It would be helpful if the committee further clarified broadly the expectations for firms, especially those which are traditional banking firms with retail and corporate lending clients.

2c) Point 47 - The Committee should clarify the nature, extent and frequency of such disclosures, and that such disclosures should be made publicly available for scrutiny by all stakeholders

2d) Point 51 lacks clarity on what the Committee sees as best practice and would benefit from greater clarification of the Committee's expectations.

2e) In respect of conflicts of interest, especially when there are revolving doors between industry and regulators, it is important the the Committee strengthens its guidance on expectations to avoid such revolving doors at senior level and details expectations, not just for disclosure of such conflicts but the requirement for abstention from carrying out certain roles and tasks should such conflicts be present. It would also be useful if the Committee required supervisors (in section IV p 29) to examine and address any such conflicts more pro-actively.

3) Group structures

3a) It is vital that the Committee elaborates further on the expectations re: ring-fencing of subsidiaries especially in cases where there are jurisdictional differences in legal and bankruptcy arrangements. There is need to safeguard stakeholder interests in host jurisdictions. (In particular this should also be elaborated upon in section IV p 29).

Specific Comments - Section B

4) It is essential that senior management are tasked with developing an appropriate risk culture within the firm and acting to ensure that cultural weaknesses are remedied. Supervisors should also be encouraged (in section IV p 29) to invest more adequately in reviewing cultural and behavioural aspects of banks' practices through random testing and front-line reviews related to fair treatment of consumers (Fairness here differs from customer satisfaction).

Specific Comments - Section C

5) Risk Management and Controls

5a) Although point 68 refers to reviews of compliance, it does not sufficiently detail the responsibilities in respect of highlighting and addressing non-compliant, foolhardy risk-taking or poor practice. I would request the Committee to further elaborate on this

6) Chief risk officer or equivalent

6a) Point 70 refers to access for non-executive members to the CRO. I would suggest that it should more strongly mandate the requirement for such meetings in a periodic manner.

6b) It would be useful if point 75 were clearer about the use of the three lines of defence model. It would be helpful if the Committee recommends that those risk staff who are within the second line of defence should be independently overseen (ie no reporting lines or salary-related oversight) from the first line.

7) Risk methodologies and activities

7a) In point 88, reference is made to the internal pricing of risk. It is essential that the committee points out that since it is widely agreed that capital is not the only mitigant for risk, it is also not the only proxy for measurement of risk. It is therefore essential that internal pricing of risk reflects factors other than capital and that such pricing is reflective of the size, scale, stakeholder impact and complexity of the firm's activities and presence. Further details in relation to this point, can be made available for the Committee's consideration upon request.

7b) There is a greater need for the report to reflect the responsibility that governing bodies play in understanding the impact of stress events as well as business as usual behavioural practices on stakeholders

7c) I strongly agree with point 92, which accurately reflects the needs within the current business context.

7d) Principle 11 - It would be useful if the compensation practices reflect stakeholder interests and are not purely aligned to similar short-termist shareholder gains. We must not forget that shareholders are not the only stakeholders impacted by the banking industry.

I hope these comments will be useful in shaping the final outcome of the report and remain available for any clarifications or discussions, should you deem these suitable.

Kind Regards

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