

# **The Relevancy of good Corporate Governance**

**Presentation by Mrs. Leila Matroos-Lasten,  
Acting-President of the  
Centrale Bank van Curaçao en Sint Maarten,  
given to the Supervisory Board of the LAAD Americas N.V.**

**Willemstad - March 7, 2019**

Good morning ladies and gentlemen,

First of all, allow me to thank you (the Board of LAAD Americas N.V.) for having invited me to introduce this morning the very important topic which is the **Relevancy of Good Corporate Governance**.

As the Regulator of the financial sectors of the monetary union comprising the countries Curaçao and Sint Maarten, the Centrale Bank van Curacao and Sint Maarten (the Bank) is entrusted, amongst other, with the supervision of the banking and credit institutions. As such, its supervision is primarily geared towards the promotion of the stability, integrity, efficiency, safety, and soundness of the financial sectors of the countries in general and the safeguarding of the interest of stakeholders of the banking and other credit institutions in particular. The key for the success or failure of the entities supervised by the Bank is at the end of the day - Corporate Governance.

Corporate Governance, according to the Basel Committee on Banking Supervision and as adopted by the Bank, can be defined as a set of relationships between a company's management, its board, its shareholders and other stakeholders which provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance. It helps define the way authorities and responsibilities are allocated and how corporate decisions are made. Thus, Corporate Governance is the driving force of every company, whether a bank or production company.

Corporate Governance became even more important following the financial crisis which unfolded, after the collapse and scandals surrounding several renowned financial/ banking institutions and companies such as Lehman Brothers, Bear Sterns and Barings Bank in the period 2007/2008.

As a result, the "Organization for Economic Cooperation and Development" (OECD) updated its widely accepted and long-established principles for good corporate governance to assist governments worldwide in their efforts to evaluate and improve their frameworks for corporate governance and to provide guidance for participants and regulators of financial markets.

The Basel Committee on Banking Supervision, responsible for the international standards and guidelines on banking supervision, which has adopted the OECD principles of corporate governance, also updated its own set of Corporate Governance guiding principles for banks worldwide to assist Banks and Supervisors further.

The Bank, having a keen interest in sound corporate governance has therefore adopted the internationally accepted Basel committee's guiding principles of good corporate governance in its *admission requirements for local and international banks* and its *Corporate Governance Guidance Notes for the Supervisory Boards of Supervised Financial Institutions* by choosing for a two-tier board model consisting of a Managing Board and a Supervisory Board. This despite the fact that our General Law on

companies permits a one-tier board. (which will be elaborated later upon by Mrs. Hammoud and Mrs. De Windt).

According to the Bank, an institution's Supervisory Board is ultimately responsible for the conduct and affairs of the supervised institution. It is the Supervisory Board's duty to oversee management affairs and to monitor the institution's direction and, hence, its adherence to its overall policy. By doing this, the Supervisory Board determines how the institution will conduct its business in the long term. In general, the Supervisory Board establishes or approves and monitors the policies by which Management will operate.

The Supervisory Board should set the “**tone at the top**” and oversee management's role in fostering and maintaining a sound corporate and risk culture.

In favorable times the Supervisory Board contributes by setting the tone and direction, it oversees and supports Management's efforts by testing and probing their recommendations before approving them. The Supervisory Board should also ensure that adequate systems and controls are in place to identify and address problems before they become a threat for the viability of the institution.

In adverse times the Supervisory Board should be even more actively involved with the institution assisting it with the undertaking of the necessary corrective actions and, when needed, to keep the institution on track until effective management can be reestablished.

The Supervisory board is considered therefore by the Bank as an extension of its supervision within the regulated entities because well-governed banks contribute to an efficient and cost-effective supervisory process which permits the Bank to place more reliance on the bank's internal processes which may result in less need for supervisory intervention.

In this respect we consider communication as key for an adequate supervision of the institutions supervised by the Bank. Therefore, we applaud the contribution of LAAD in its communication towards the Bank by having annual presentations of LAAD's results, where a representative of the Managing Board is always present to explain the results and developments in the markets.

The Bank furthermore welcomes periodic exchange of information between the Bank and the Supervisory Board of LAAD (for example on the strategy, risk assessments performed, Statement of compliance etc.) as this will assist the Bank further in its supervisory task.

To keep up with worldwide Corporate Governance developments, the Bank is continuously enhancing its risk-based supervision framework. Its Corporate Governance Notes (which date back to 2001) are currently being updated to reflect the tasks and responsibilities of the Supervisory Board more clearly. With actualization of the National Ordinance on the Supervision of Banking and Credit Institutions at the end of 2015, the supervisory framework of the Bank was further strengthened allowing it to impose fines and penalties in case of non-compliance with our laws and regulations. With the institution of the Conduct Supervision department, more emphasis is being

placed by the Bank on the supervision of the behavior of the institutions boards in the execution of their responsibilities.

I hereby conclude my introductory remarks and pass the word now to Mrs. Mayesi Hammoud who will elaborate further on Corporate Governance aspects as established by the Corporate Law of Curaçao. I wish you further a pleasant stay on our island and hope that the discussions of this morning will be very fruitful.