

Financial Services Consumer Panel

AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES

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Dear Hugh / Christopher,

CP18/15 Corporate governance: Board responsibilities

This is the Financial Services Consumer Panel's response to the proposals for a supervisory statement seeking to identify key aspects of good board governance.

The Panel has a particular interest in the accountability of firms, and of the individuals within those firms. We are looking at banks' cultural change programmes to ascertain the extent to which any changes are matching consumers' expectations. Good governance is central to these culture programmes; boards have responsibility for setting strategy and risk appetite, and ensuring that the executive manages the risks effectively according to that appetite.

In light of this, we are surprised that some NEDs are not to be included within the scope of the Senior Managers Regime. NEDs are there to provide independent oversight and constructive challenge. Consumers expect them to perform this role with competence. There have been a number of examples of recent failures where some NEDs have apparently been unable to do so.

So, while we support the proposals to ensure all non-executives are aware of their duties – this is absolutely basic corporate governance, after all – we question how the guidance will bite, if some NEDs will not be held accountable in the event they do not carry out their role effectively.

We are also concerned that there is a lack of clarity around NEDs' responsibilities if the bank fails to operate within the risk appetite set at board level. We believe that NEDs should have whistle-blowing obligations, highlighting to the regulators what policies have been breached and by whom. The Panel believes this should be a stated responsibility for NEDs.

If the clarity of responsibilities, power to carry out those responsibilities, or general accountability fails, good governance is undermined. Therefore the PRA should be clear what indicators of failure would cause alarm. Perhaps the key test is what difference this guidance might have made if it had been in place prior to the financial crisis. The Panel would be interested to hear your views on this.

Yours sincerely



Sue Lewis
Chair, Financial Services Consumer Panel