



Governance and the control environment in banks and financial institutions

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Introduction

- Financial Crisis
- Poor governance
- Corporate governance



Corporate Governance Principles

- (3 principles) about the role and the qualifications and composition of the board;
- (3 principles) about the importance of an independent risk management function, including a chief risk officer or equivalent and the importance of monitoring risks on an ongoing firm-wide and individual entity basis;
- (1 principle) about the board's oversight of the compensation systems;



Corporate Governance Principles

- (1 principle) about senior management's understanding of the bank's operational structure and risks;
- (1 principle) about the internal audit role;
- (1 principle) about disclosure and transparency;
- (1 principle) about compliance function;
- (1 principle) about governance of group structure;
- (1 principle) about the role of supervisors;



Basic circular No.106 (26/7/2006)

Corporate Governance

- Comply with the principles issued and to be issued by the International Basel Committee for Enhancing Corporate Governance in banking institutions.
- Prepare “Corporate Governance Guide”



Basic Circular No 118 (21/7/2008)

Audit and Risk Committees

- Enhance the Board of Directors by electing a sufficient number of Board non- executive and independent members, in order to comply with the requirements of this Decision, particularly in terms of establishing Board committees.
- Set a number of Board non-executive and independent members that exceeds the minimal requirements specified in this Decision, in proportion to the concerned bank's size, the complexity of its operations and its risk structure



Basic Circular No 133 (6/8/2014)

Remuneration Committee

- Establish a Remuneration Committee chosen among the Board non- executive members and formed of three members at least.
- Appoint a Chairman to this Committee, provided he/she is an independent Board member who has the practical experience to evaluate performance and remunerations, as well as the required knowledge to assess associated risks, particularly in the banking or financial sector.
- Determine the remunerations of the Chairman and members of this Committee



Basic Circular No. 128 (12/1/2013) Compliance

Banks and financial institutions operating in Lebanon must establish a Compliance Department that comprises:

- A Legal Compliance Unit: In charge of identifying and preventing legal risks, and taking, the required measures to mitigate these risks
- An AML/CFT Compliance Unit: in charge of verifying compliance with AML/CFT procedures, laws and regulations in force



Basic Circular No 134 (12/2/2015) Consumer Protection(relationship with customers)

- In relation to the provision of banking and financial services and products of all kinds, banks and financial institutions operating in Lebanon shall educate their customers, raise their awareness, and explain to them their rights, by spreading awareness and education programs in their head offices and branches, on their websites and any other means of communication with customers.



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C	CAPITAL ADEQUACY and Leverage
A	Asset quality
M	Market risk sensitivity
E	Earnings Strength
L	Liability and Liquidity sources
B	Business Strength
C	Control (internal) strength
O	Organization
M	Management, governance and compliance



If you think Compliance is expensive, try non-compliance

- Reputational damage
- Consultancy fees
- Loss of partners and clients
- Long period of regulatory oversight
- Increased technology budget
- Attention from other regulators