



# Corporate Governance: Central Bank's Expectations

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# Issues to be addressed

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- Board certifications
- Broader expectations of the Central Bank
  - Getting behind the certifications
    - Director responsibility and accountability
    - Board structure and composition



# The Importance of Banks and Corporate Governance

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- Major holder of the nation's financial assets
- Bank's corporate governance processes induces better business practices in other firms which borrow from them

# Board Certification Requirements

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- **Statement of Familiarity with the Guidelines.**
  - A statement to the effect that the board is familiar with the contents of the *Guidelines for the Corporate Governance of Banks and Trust Companies Licensed to do Business Within and from Within The Bahamas*, issued by the Central Bank of The Bahamas on 13th December, 2001, and acknowledges its role and responsibilities under those guidelines;



# Board Certification Requirements

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- **Statement as to the board's performance under the Guidelines.**
  - A statement indicating whether the board of directors is performing its functions and fulfilling its responsibilities under those guidelines

# Board Certification Requirements

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- **Statement as to the effectiveness of senior management in the CG process.**
  - A statement indicating whether the board of directors has carefully considered the reporting of senior management and other information relevant to forming an opinion as to whether the organization is following the corporate governance guideline (refer to page 4 of the Central Bank's corporate governance guidelines); and,

# Board Certification Requirements

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- **Statement as to the licensee's Compliance with the guidelines.**
  - A statement setting out the board of directors' opinion as to whether the organization is following the Central bank's Corporate governance guidelines, paying particular attention to the annual review and annual certification sections of pages 5 and 6 of the Central Bank's corporate governance guidelines. An explanation of the reasons for the opinion that relate to deficiencies;
    - A statement confirming that an action plan to correct those deficiencies has been prepared and is being implemented; and,
    - A statement confirming that a copy of the action plan has been or will be submitted to the Inspector of Banks and Trust Companies.



# Getting behind the certifications

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- Clearly defined board objectives;
- Appropriate board and board committee structure;
- Appropriate board composition;
- Board Independence;



# Getting behind the certifications

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- Decision making capabilities;
- Management's follow through;
- Compliance with specific responsibilities;
- Compliance with operational requirements; and
- CAPITAL management



# Conclusion

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- Guidelines and certifications changed the status quo.
  - Highlighted the important role and awesome responsibility of the board of directors
  - Not as far reaching as Sarbanes Oxley, but appropriate for our system.



Thank you

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