

Assessing effectiveness and compliance of banking boards

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Abstract

This paper aims to develop a model to assess the effectiveness and compliance of bank boards, taking into account their unique characteristics, financial industry standards and regulations. The regulators recommends that listed companies and banks annually evaluate the performance of their boards. The degree of effectiveness of a board should be appreciated taking into account the business structure, ownership and institutional model of the company, on the one hand, and the characteristics of its board, in terms of its composition, structure and skills, on the other hand.

This paper also outlines the specificity of the role played by boards of directors in financial intermediary firms, also in the light of the industry standards and regulations, and provides an overview of the board assessment methodologies proposed in literature, or developed by listed companies on the Anglo-saxon markets, with a view to considering their applicability to the financial sector. Lastly, and based on the foregoing, the paper proposes a model for diagnosing the conditions that need to be put into place to ensure the suitability of boards of directors and to evaluate the performance of both the board as a whole and the individual directors.

Keywords: Banking, Boards of Directors, Corporate Governance, Financial industries