



Press Release

December 2009

**Corporate Governance Association supports
call by Central Bank governor for probe into financial crisis**

The call by Central Bank governor Patrick Honohan for a US-style congressional probe into the reasons for our financial crisis has been welcomed by the Corporate Governance Association of Ireland (CGAI).

The CGAI Chairman, Jerry Kelly, said that such an investigation would be very important in order to understand what exactly went wrong and what the lessons are for the future.

In terms of the banking system Mr. Kelly said that one area that is particularly important to examine is the role of Directors in exercising “the prudent control of the executive” in most of our leading financial institutions?

“To the extent it was lacking it was primarily the responsibility of the non-executive directors (NEDs). While all directors are equal in law, the NEDs have a special responsibility to provide oversight of the management”, said Mr. Kelly.

“It has to be asked if the NEDs lacked banking skills or did the closed nature of Irish society prevent NEDs asking difficult questions?

“Public statements from some quarters would lead one to conclude the NEDs either did not realise the potential repercussions of their decisions, did not understand what was going on, or were in denial.

“The answer may well vary from one institution to another and from one director to another. Either way, the boards as a whole failed the shareholders in too many instances. Over €50 billion was wiped off the value of our leading listed financial institutions – a truly massive impact for pension values and an estimated 150,000 individual shareholders.

“In the case of the two major banks the boards resigned en bloc and were re-elected. The voting power of the institutions and fears about the impact of the whole board changing in one go ensured their re-election, he said.

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CGAI believes a more honourable option, would have been for one third to resign at once, one-third to resign with one year's notice, and one third to resign with two year's notice. This would have replaced all the NEDs within two years and yet provided adequate continuity within boards.

"It falls to the chairmen of boards and those who appoint them to demand a new culture in our boards which will respect the principles of accountability, transparency and probity" said Mr. Kelly.

Ends

Issued on behalf of the Corporate Governance Association of Ireland

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Note for editors

The Corporate Governance Association of Ireland

The Corporate Governance Association of Ireland (CGAI) was founded in 2006. It is a professional association of members who are certified in corporate governance postgraduate studies. The CGAI encourages its members to pursue continuous professional development to keep abreast of this continually evolving subject.

The Association seeks to promote best practice in governance across the commercial, public and voluntary sectors.

For more information visit: www.cgai.ie