



Press Release

July 2010

### **Corporate Governance Association urges Financial Regulator to introduce proportionality into code to avoid box ticking**

In a submission to the Financial Regulator following publication of Consultation Paper 41 'Corporate Governance Requirements for Credit Institutions and Insurance Undertakings' the Corporate Governance Association of Ireland (CGAI) says that while it welcomes the consultation paper it believes that proportionality should be absolutely centre stage and override many of its provisions.

The CGAI says that the Consultation Paper appears to assume that all Institutions are of a size, complexity and risk profile equivalent to an institution that is of systemic importance to Ireland.

Quite clearly the vast majority of Institutions do not fit this profile says the CGAI. It suggests that the Financial Regulator apply the provisions of the Consultation Paper to named institutions of 'systemic' importance. For all other Institutions the CGAI, says that governance plans should be prepared by Institutions and approved by the Financial Regulator on a case-by-case basis. It says that while these plans would be specific to each Institution they would be based on the general underlying principles contained in Consultation Paper.

Jerry Kelly, Chairman of the CGAI also says, "For example we do not believe there is a need to require wholly owned subsidiaries of regulated Institutions to appoint an Independent Chairman, as such Institutions operate to their shareholders' (parent company's) mandates. These Institutions may operate more effectively by being chaired by a non-executive (who might be an executive elsewhere in the group) rather than an independent director. In such cases, the CGAI recommends the appointment of a Senior Independent Director within the board of the Institution. Given that a Board always has the option of removing the Chairman, we believe that such appointments should be for a period of 3 years in order to provide continuity".

The CGAI says that all Institutions should be required to document how they have sought to achieve governance excellence in a manner proportionate to their scale. Their annual reports should refer to the extent to which Institutions have taken account of emerging best practice, whether by reference to other codes or legislative provisions, or best practice in other institutions.

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The CGAI believes that an active ongoing engagement between the Financial Regulator and Institutions will best provide for sound governance in those Institutions. “Otherwise the Regulations may unwittingly become the catalyst for ‘box ticking’ practices rather than its true intent of being of real and lasting value”, says Jerry Kelly

In its submission the CGAI makes 18 specific observations and recommendations.

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](http://www.cgai.ie)