



# News Watch

▪ May 2018

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- The first Bank Governance data provider with more than 800 data points per bank for comprehensive benchmarking and comparative analysis. Improving governance decisions for compliance with best practice and meeting supervisory expectations.



## ABOUT THE NEWS WATCH

### Objective

We gather current corporate governance news related to banks to assist our clients in staying up to date on current topics and trends in Corporate Governance. This is essential for the content of our database, reports and publications. We follow the banks in our database closely to keep informed about any corporate governance changes they may go through in order to give our clients the most relevant and useful information possible.

### Area coverage

- Europe: Benelux with France, DACH, Eastern Europe, Southern Europe, Scandinavia
- UK and Ireland
- North America
- Oceania
- MENA

### Scope

- Our primary focus is on corporate governance news related to banks
- We may also include major news events concerning leading banks
- If there are no relevant news related to bank governance from a region, major corporate governance news related to leading companies in other industries may be included

## □ Europe

### ■ Investors revolt against directors with too many jobs

<https://www.ft.com/content/f81c8bda-4fa0-11e8-9471-a083af05aea7>

- Although executive remuneration is still the main focus for investors of this year's AGMs, shareholders are increasingly worried about directors' time dedication to their job.
- Shareholders are targeting individual directors more often now than before, as they expect them to sit on fewer boards and investors are willing to hold directors accountable for the decisions they make.

### ■ An effective board requires NEDs who possess people skills, courage and self-awareness

<https://www.ft.com/content/2877e126-47ae-11e8-8ee8-cae73aab7ccb>

- Boards seek safety by outsourcing board appointments and pay to head-hunters and consultants.
- However, Research from the London School of Economics, "Head-hunter methods for CEO selection" by Max Steuer and colleagues, suggests that outsourcing the recruitment of a chief executive to head-hunters is a sign of widespread, fundamental board weakness.
- Anthony Fitzsimmons, chair of *Reputability*, recommends that a top-class people specialist should be in charge of the nomination and remuneration committees.

### ■ CEO of National Bank of Greece steps down

<https://www.ft.com/content/905170fe-4fc0-11e8-9471-a083af05aea7>

- Leonidas Frangioudakis did not give any reason for his resignation, which was unanimously accepted by the NBG board.
- A Greek banker with knowledge of the situation said Mr. Frangioudakis faced criticism from the board over the recent collapse of deals to sell two NBG subsidiaries.
- Another banker said his departure reflects a tightening of governance at Greek banks.

### ■ Danske reprimanded over weak money- laundering controls

<https://www.ft.com/content/387daede-4eac-11e8-a7a9-37318e776bab>

- Danske Bank has been extensively criticised by Danish regulators over weak or non-existing money laundering controls that gave rise to suspected "criminal activities involving vast amounts of money".
- The Danish Financial Supervisory Authority gave the Danske Bank reprimands and orders over money-laundering allegations in its Estonian operations, including the need to set aside DK5bn (\$805m) in capital to cover compliance matter.

- The FSA uncovered “serious weaknesses in the bank’s governance” that meant it “is exposed to significant higher compliance and reputational risks than previously assessed.”

#### ■ **Santander shows potential of blockchain in company votes**

<https://www.ft.com/content/c03b699e-5918-11e8-bdb7-f6677d2e1ce8>

[https://www.santander.com/cs/gs/Satellite/CFWCSancomQP01/en\\_GB/Corporate/Press-room/Santander-News/2018/05/17/Santander-and-Broadridge-Complete-a-First-Practical-Use-of-Blockchain.html](https://www.santander.com/cs/gs/Satellite/CFWCSancomQP01/en_GB/Corporate/Press-room/Santander-News/2018/05/17/Santander-and-Broadridge-Complete-a-First-Practical-Use-of-Blockchain.html)

- Santander is the first company in the world to use blockchain to make it easier for investors to vote at an annual meeting.
- Santander said the use of blockchain could speed up the process and make it easier for more shareholders to take part.
- Academics at Tilburg and Ghent universities said blockchain could offer “smart solutions for classical inefficiencies in the corporate governance field”, arguing that it could reduce costs for both shareholders and companies by modernising annual meetings. “Blockchain can... decrease the organisation costs for companies and increase the speed of decision-making, making the AGM a fast and lean corporate organ,” they wrote.

#### ■ **Deutsche Bank has announced the launch of a unique concept to integrate Environmental, Social and Governance (ESG) investment factors into its company research**

[https://www.db.com/newsroom\\_news/2018/deutsche-bank-integrates-esg-data-in-company-research-as-demand-for-responsible-investment-solutions-accelerates-en-11573.htm](https://www.db.com/newsroom_news/2018/deutsche-bank-integrates-esg-data-in-company-research-as-demand-for-responsible-investment-solutions-accelerates-en-11573.htm)

- From today, research on all companies in the EuroStoxx50 index will include a dedicated section with detailed ESG information and guidance.
- Combining multiple factors and leveraging Deutsche Bank’s longstanding expertise in ESG research, each company will be assigned an ESG rating alongside the usual “buy”, “sell”, “hold” and target price information.
- The ESG ratings comprise two elements: a measure for risk and one for opportunity talking points.

#### ■ **UniCredit appoints Finja Carolin Kuetz as Group Chief Transformation officer to support Transformation 2019 Plan**

<https://www.unicreditgroup.eu/en/press-media/press-releases/2018/unicredit-nomina-finjunicredit-nomina-finja-carolin-kuetz-group-.html>

- On the 9<sup>th</sup> of May the UniCredit Board approved the creation of a Transformation Office which will be led by the newly appointed CTO, Ms. Finja Carolin Kuetz.
- She will report to Jean Pierre Mustier, Chief Executive Officer as well as Gianni Franco Papa, General Manager.
- Ms. Kuetz will be in charge of identifying new transformation initiatives to support the One Bank One UniCredit culture.

## □ UK and Ireland

### ■ HSBC has completed the world's first commercially viable trade-finance transaction using blockchain

<https://www.ft.com/content/c0670eb6-5655-11e8-bdb7-f6677d2e1ce8>

<https://www.ft.com/content/547bd3ec-577e-11e8-b8b2-d6ceb45fa9d0>

- This opens the door to mass adoption of the technology in the \$9tn market for trade finance.
- The introduction of blockchain, which underlies cryptocurrencies such as bitcoin, is expected to shake up the centuries-old trade-finance industry, reducing the numerous documents and several days of processing needed for a single transaction to a paperless task that can be completed in hours.

### ■ The CEO of Barclays Plc, James Staley, has been fined by both the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) because of his treatment of a whistle-blower

<https://www.fca.org.uk/news/press-releases/fca-and-pra-jointly-fine-mr-james-staley-announce-special-requirements>

- In total Mr. Staley has been fined £642,430 because of his failure to, "act with due skill, care and diligence" when an anonymous letter was received in June 2016.
- In his efforts to unmask the whistle-blower the actions of Mr. Staley were fined under the Senior Manager Regime, the first case brought under this new initiative.
- Barclays' whistleblowing procedures have come under the spotlight of regulators and Barclays is now under a special requirement to report to both PRA and FCA on their whistleblowing policy and procedure until 2020.

### ■ Investors have called for RBS to create a Shareholder Committee

<https://www.sharesoc.org/sharesoc-news/rbs-agm-voting-update-12/>

[https://investors.rbs.com/~/\\_media/Files/R/RBS-IR/results-center/letter-to-shareholders-2018.pdf](https://investors.rbs.com/~/_media/Files/R/RBS-IR/results-center/letter-to-shareholders-2018.pdf).

- The UK Individual Shareholders Society (ShareSoc), a representative body for individual investors, has successfully appealed to the RBS Board to include a shareholder resolution for a Shareholder Committee on the AGM Agenda.
- The UK Shareholders' Association has also added their weight behind that of ShareSoc.
- The RBS Board has said that it, "does not consider the creation of a shareholder committee would be in the best interests of the Company."
- ShareSoc has also raised issue with the remuneration report of the bank and argued that the Chairman of the Board, Howard Davies, is paid too much.

**■ TBS CEO to give up £2m bonus over IT failure**

<https://www.ft.com/content/e1daed30-4e0b-11e8-9471-a083af05aea7>

- In the wake of an IT update that went wrong and left customers unable to access their bank accounts, the CEO of TSB is to forfeit his annual bonus.
- Mr. Pester will voluntarily forfeit a £2 million bonus.
- This had no effect on any other part of his remuneration package.

**■ Lloyds shareholders protest over CEO pay**

<https://www.ft.com/content/a104bee8-5f64-11e8-9334-2218e7146b04>

- Lloyds Banking Group was unsuccessfully challenged by shareholders on the pay of the CEO, Mr Horta-Osório, following the recommendation of Institutional Shareholder Services (ISS) to vote against the bank's pay report.
- More than a fifth of shareholders either voted against the lender's pay report or abstained, however, not enough to stop the report from being approved.
- It is the largest shareholder revolt against a British bank so far this year.

**■ The Bank of Ireland Group has appointed two new non-executive directors to the Board, effective from 17 May 2018**

<https://www.bankofireland.com/about-bank-of-ireland/press-releases/2018/bank-ireland-announces-appointment-board-evelyn-bourke/>

<https://www.bankofireland.com/about-bank-of-ireland/press-releases/2018/bank-ireland-announces-appointment-board-ian-buchanan/>

- Ms. Bourke will be appointed to the Audit Committee and the Nomination and Governance Committees, and Mr. Buchanan to the to the Risk Committee.
- Ms. Bourke is acting group CEO of BUPA Group and has fulfilled the role of CFO at both Bupa and Friends Provident.
- Mr. Buchanan had been Group Chief Information Officer for Barclays Plc and Chief Operating Officer for Barclaycard until 2016.

## □ North America

### ■ Toronto-Dominion Bank has joined the Canadian Institute for Cybersecurity (CIC)

<http://td.mediaroom.com/2018-04-30-TD-joins-Canadian-Institute-for-Cybersecurity>

- The mission of the institute is, “[t]o contribute to Canadian society by being a transformational leader in cybersecurity through problem solving, quality research undertakings, and intellectual property generation.”
- The bank aims to use their relationship with CIC to develop a new cyber risk management system and highlights their awareness of cybersecurity issues.

### ■ JPMorgan and Ebay face pressure from shareholder groups for lack of cooperation for the strengthening of investor oversight management

<https://www.ft.com/content/41653aee-5861-11e8-bdb7-f6677d2e1ce8>

- In recent years, there has been an increase in the ability of shareholders to call special meetings to oust directors or to make necessary changes outside scheduled annual meetings.
- A record of 61 US listed companies have filed formal proposals to make it easier to call special meetings.
- At a recent annual meeting in Texas, JP Morgan showed resistance by declaring a ratification of existing rules, which requires 20% support amongst shareholders before a special meeting can be held.

## □ Oceania

### ■ **Ms. McCann has been appointed Group Executive, Customer & Corporate Relations of Westpac Banking Corporation**

<https://www.westpac.com.au/about-westpac/media/media-releases/2018/18-may/>

- She previously held the position of Westpac's General Manager, with oversight on Corporate Affairs and Sustainability.
- This role is newly created and therefore not previously held by another individual. It is argued by Westpac that this signals the importance they place on customer service.
- Ms. McCann has been with Westpac since 2013, having joined from Insurance Australia Group after a 13-year tenure

### ■ **Following the news that Mr. Hodges, Chief Executive Officer, is to retire after serving 27 years with ANZ, there has been changes made to the Executive Committee**

<https://media.anz.com/posts/2018/05/senior-appointments-at-anz>

- Ms. George, current Group Executive, Wealth Australia, is to become Deputy CEO alongside her current role.
- Mr. Hand has been appointed Group Executive, Australian Business & Private Banking.
- Both appointments are effective 15 May 2018.

### ■ **ANZ has agreed to sell its 55% share in the Cambodian JV ANZ Royal Bank to J Trust, a Japanese diversified financial holding company**

<https://media.anz.com/posts/2018/05/anz-sells-stake-in-anz-royal-bank>

- ANZ has looked to offload minority investments and focus on those entities wholly-owned in the region.
- Similarly, ANZ has sold their stake in Shanghai Rural Commercial Bank in China and other entities across the ASEAN region.
- The transaction remains subject to regulatory approval from the appropriate national authorities.

### ■ **Alan Docherty appointed Chief Financial Officer of Commonwealth Bank**

<https://www.commbank.com.au/guidance/newsroom/changes-to-senior-executive-team-201805.html?ei=card-view>

- In response to the resignation of Mr. Jesudason, Alan Docherty has been appointed acting Chief Financial Officer.
- Having joined Commonwealth Bank in 2003, Mr. Docherty has held several senior financial roles in the institution.

■ **Legal proceedings instigated by the Australian Securities and Investments Commission against the Commonwealth Bank in relation to the Bank Bill Swap Rate having been settled**

<https://www.commbank.com.au/guidance/newsroom/cba-and-asic-agree-in-principle-settlement-over-bbsw-201805.html?ei=card-view>

- Commonwealth Bank are bound to accept that inadequate polices were in place and that attempts were made to manipulate the Bank Bill Swap Rate.
- A fine of \$25 million will be levied on the bank.
- This is made up of penalty, legal costs, and a contribution to a financial consumer protection fund.

## □ MENA

■ **Omani Arab Bank seek merger to create \$7 billion giant**

<http://www.arabianbusiness.com/banking-finance/397324-omani-banks-seek-merger-to-create-7bn-giant>

- The merger would be with Alizz Islamic Bank amid consolidation in the Gulf banking sector.
- The move comes amid consolidation among banks in the six-nation Gulf Cooperation Council to better compete in a crowded market.

■ **SAAB, Alawwal merger to help RBS find buyer for Saudi stake**

<http://www.arabianbusiness.com/banking-finance/397284-sabb-alawwal-merger-to-help-rbs-find-buyer-for-its-saudi-stake>

- S&P Global Market Intelligence says Saudi merger deal will free up capital that RBS holds against the Alawwal stake and help pave the way for the privatisation of RBS.
- RBS, which has an effective 40 percent of Alawwal Bank, will have a 5 percent stake in the combination of Saudi British and Alawwal, which, according to S&P, will make it easier to find a buyer.

■ **Emirates NBD announces \$3.2 billion deal to acquire Turkey's Denizbank**

<http://www.arabianbusiness.com/banking-finance/397121-emirates-nbd-announces-32b-deal-to-acquire-turkeys-denizbank>

- Denizbank is Turkey's fifth largest private bank, with \$37 billion in assets.
- This will be Emirates NBD's largest ever acquisition.

■ **UAE digital bank attracts 10,000 new customers per month**

<http://www.arabianbusiness.com/banking-finance/396561-uae-digital-bank-attracts-10000-new-customers-per-month>

- Liv., the lifestyle, mobile-only bank, launched by Emirates NBD, said to be fastest growing bank in the UAE
- The Chief Operating Officer, Senior Executive Vice President and Head of Retail Banking & Wealth Management said over five in six customers are millennials and new to Emirates NBD with new accounts being opened 24/7, including from remote areas of the country.
- The officials added that overall cost to income ratios are about half of the main bank while a high engagement level is being seen with logins every two days on average.

■ **Saudi sovereign fund said to hire HSBC senior executive**

<http://www.arabianbusiness.com/banking-finance/396151-saudi-fund-is-said-to-hire-hsbcs-local-head-of-asset-management>

- Saudi Arabia's sovereign wealth fund hired HSBC Holdings Plc's local head of asset management, Abdulmajeed Alhagbani as director, according to a person with knowledge of the matter.



## ABOUT AKTIS

Aktis is a London-based bank governance firm working with some of the most significant names in banking and deeply involved in shaping the corporate governance agenda. Our team of analysts and data technologists aims to revolutionise the availability and analysis of bank governance data.

Tailored benchmarking reports, data subscriptions and insights into regulatory practice evolution are just some of the services we deliver to our customers. Our analysis is bank-specific and uniquely focused on governance. Contact us to find out more.

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