



NewsWatch

▪ August 2018

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The first and only Bank Governance data provider for comprehensive benchmarking and comparative analysis. Improving governance decisions for compliance with best practice and meeting supervisory expectations.



ABOUT THE NEWSWATCH

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
- Oceania
- North America
- Central and South America
- Russia
- Japan
- China
- South East Asia
- India
- MENA
- Central and South Africa

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

□ International

International experience is positive for boards

<https://www.ft.com/content/5577d56b-b488-32c8-85d2-9bbe665ce77a>

- Diversified thinking enables quicker response to changes in the environment.
- Greater diversity mitigates collective thinking and myopia.
- Diversity in background and experience increases the chance of seeing “market disruptions and changing customer trends”.

Why companies should care about corporate governance

<https://www.forbes.com/sites/christopherskroupa/2018/08/21/from-passive-to-active-institutional-investors-promote-corporate-governance/#48b8d21f65b8>

- Interview with Kern McPherson who works for Glass Lewis, leading the North American research teams on ESG and executive pay at more than 6,500 publicly traded companies in the US and Canada.
- “Passive investors” like index funds and ETFs are increasingly investing in companies that adapt corporate governance best practice.
- Over the past decades, there has been a shift from actively managed funds to these passive investments.
- By placing more importance on responsible investments and corporate governance, institutional investors are pushing companies to take these factors into account and encourage long term sustainability.

□ Europe

Major shareholder of Barclays engages in the process of finding successor of current chairman John McFarlane

<https://www.ft.com/content/7701b5a8-9b2b-11e8-9702-5946bae86e6d>

- Edward Bramson, who owns 5.4% of Barclays seems to be wanting to have an impact on the bank's long term strategy.
- He has stated he wants to be involved in issues like "capital allocation, quality of warning, capital adequacy, cost structure, and the search process for and mandate of a new chairman."
- The search for a new chairman in April 2018 as Mr McFarlane announced he would retire "when the time is right" at the Annual General Meeting in May.

HSBC sells its new compliance system

<https://www.ft.com/content/97fb6f58-959d-11e8-b67b-b8205561c3fe>

- The compliance system, "know your customer," carries out checks on clients.
- The move illustrates that HSBC really believes in the system which has improved after the bank was fined almost \$2bn in 2012 for laundering money for Mexican drug cartels.
- Banks have been spending much money on their "Know your customer" system after scandals have come to light as banks have failed to spot that they have been handling money for criminals.

Royal bank of Scotland may soon have a female CEO and CFO

<https://www.ft.com/content/c25d9014-a218-11e8-85da-eeb7a9ce36e4>

- Even Stevenson is stepping down as CFO of the bank, and Katie Murray will become interim CFO in October.
- Ms Murray will become the first female CFO of a major UK bank.
- It is rumoured that the CEO, Ross McEwan is also stepping down, and the current favourite to take over is the bank's Head of commercial and private banking, Alison Rose.
- If Ms Rose got the job, she would become the first CEO of a FTSE 100 bank.

Deutsche- Commerzbank merger seems to be a matter of time

<https://www.ft.com/content/cbc8410c-a5e8-11e8-8ecf-a7ae1beff35b>

- The merger between the two German banks seems to be as good as confirmed.
- However, Deutsche has to deal with its integration of Postbank and its ailing investment bank division before dealing with Commerzbank.
- It would become the third largest bank in Europe after HSBC and BNP Paribas.

Frankfurt will be Credit Suisse's post Brexit hub

<https://www.ft.com/content/6706f3c2-94e4-11e8-b67b-b8205561c3fe>

- Credit Suisse has already moved hundreds of million-dollar worth of assets to the new hub.
- The bank will change its structure to facilitate it doing investment banking and capital markets business from Germany.
- About 250 people will move from London to other corporate centres in Europe.

▣ North America

The Fed has released Santander Holdings USA from oversight restrictions

<https://www.wsj.com/articles/santander-usa-released-from-2015-fed-enforcement-action-1534456934>

- The restrictions were imposed in 2015 as the bank had failed to meet regulations.
- The regulatory deficiencies included the management of its capital, daily funding needs and governance.
- In 2017, the bank was fined \$25.9M for providing subprime auto loans that borrowers were unable to repay.

Head of Citigroup's global card business, Jud Linville, is leaving the bank due to its restructure

<https://www.ft.com/content/6559501c-9f23-11e8-85da-eeb7a9ce36e4>

- Anand Selva, head of consumer banking in Asia will assume the position of US consumer banking, which includes retail bank, wealth management, and the US card business.
- Outside the US market, a Citi executive is solely responsible for both retail banking and cards to ensure easier selling of multiple products to customers.

Sino-US trade war could damage Wall Street

<https://www.ft.com/content/a912a16c-a0a6-11e8-85da-eeb7a9ce36e4>

- The world's biggest banks have been trying to gain control of their Chinese operations since the Chinese government increased the foreign ownership cap from 49% to 51%.
- However, the trade war between the two countries could delay the approvals for US banks.
- Not being able to hold a majority stake in their securities ventures means low profitability and limited market share for foreign banks in China.
- Foreign banks hold as little as 2% of the Chinese banking market by assets.
- HSBC was the first bank to have a majority-owned securities venture in China.

Ant Financial IPO plans delayed

<https://www.ft.com/content/4703b2c0-9a18-11e8-ab77-f854c65a4465>

- Ant Financial is the electronic payment arm of the Chinese group Alibaba.
- Ant Financial IPO was postponed again, as Chinese regulators want to tighten control of non-traditional financial institutions.
- Last year, Ant's listing was valued at \$60bn.

□ Oceania

The Australian Business Council for Co-operatives and Mutuals (BCCM) has released governance principles for Co-operatives and Mutual Enterprise (CME)

<https://probonoaustralia.com.au/news/2018/08/governance-principles-released-cooperatives-mutuals/>

<http://bccm.coop/wp/wp-content/uploads/2018/08/CME-Governance-Principles.pdf>

- The purpose of the document is to create principles that are tailored to CMEs and their member owned structure as opposed to investor owned structure (owned by shareholders).
- The document contains nine principles for CME governance, eight of which adapt the Australian Securities Exchange (ASX) Corporate Governance Principles and Recommendations for use by CMEs.
- The new principle, at the heart of the new document says that CMEs should “create, protect and return member value”.

Australia’s corporate regulator will embed supervisory officers within the country’s biggest banks

<https://www.ft.com/content/962aa546-9a0b-11e8-9702-5946bae86e6d>

- The action follows scandals and criticism that the watchdog is not doing enough to prevent wrongdoings.
- The government has increased funding for the Australian Securities and Investment Commission, so it can improve its work.
- The watchdog will embed up to 20 staff in the country’s biggest banks; Westpac, National Australia Bank, Commonwealth Bank of Australia and ANZ, as well as the financial services firm AMP.

□ MENA

More than 100% increase in UAE- based female traders in fintech specialist

<https://www.arabianbusiness.com/banking-finance/403206-saxo-bank-sees-139-rise-in-uae-based-female-traders-since-2016>

- There has been a 139% increase in the number of UAE based female traders in Saxo Bank.
- Women now form 10% of its online traders in the country.
- This is good news for the government-led initiatives to empower Emirati women.
- The government is enabling women to take charge of their financial futures.

The UAE's four largest banks have seen higher profits in Q2 this year, with a combined net profit of AED 8bn

<https://www.arabianbusiness.com/banking-finance/402899-uaes-four-biggest-banks-see-combined-profit-rise-of-21>

- Banks included are First Abu Dhabi Bank, Emirates NBD, Abu Dhabi Commercial bank and Dubai Islamic Bank.
- The increase in profitability was predominantly due to higher net interest income and lower provisions.
- Another factor which has led to profit stability is that technology investments have begun to yield results.
- These technological investments have led to better operational efficiency.

▣ Central and South Africa

Professor Mervyn King steps down as Chairman of the King Committee after 24 years

<https://www.fin24.com/Companies/Financial-Services/father-of-the-king-reports-stepping-down-after-more-than-two-decades-in-chair-20180806>

- King has been instrumental in the progress of South Africa's corporate governance since the inception of the Kings committee in 1994.
- All companies listed on Johannesburg Stock Exchange must comply with all King Reports (I, II, III and IV).
- King will be replaced by Suresh Kana in October 2018.
- He remains on the Committee as Emeritus Chair.



ABOUT **AKTIS**

Aktis is the first and only bank governance data platform. The Aktis data universe provides accurate and trustworthy insight to levels previously unavailable for corporate governance. Aktis is rapidly expanding beyond the banking sector to bring high quality data and valuable insight to all businesses in all sectors.

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