



Statement of Guidance

Corporate Governance

1. Statement of Objectives

To establish best practice guidelines for licensees with regard to corporate governance.

2. Application

High standards of corporate governance are important for all licensees. The way that these standards are achieved may differ according to the licensee's structure, size and complexity. In managing its affairs, a licensee should have regard to the principles of good corporate governance, as it is reasonable to regard applicable to it.

3. The Board

3.1. The Board of Directors or other similar group responsible for managing the affairs of the company ('the Board') is the directing will and mind of the licensed entity. It should have a balance of appropriately skilled, experienced and qualified individuals who can apply informed and independent judgment to the governance of the licensed entity. It should ensure that the licensed entity is effectively directed and managed, and its business is conducted in a sound and prudent manner with integrity, due care and professional skills appropriate to the nature and scale of its activities.

3.2. The Board should meet regularly and members should devote sufficient time to their Board responsibilities.

3.3. Structure

The Board of Directors should:



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- 3.3.1 Clearly set out its commitment to good corporate governance principles in respect of the licensed entity.
 - 3.3.2 Clearly set out its strategic objectives.
 - 3.3.3 Set out the means of attaining those objectives and procedures for monitoring and evaluating its progress toward those objectives.
 - 3.3.4 Clearly set out the nomination and appointment procedures, structure, functions, re-elections and balance between executive and non-executive directors of the board in a transparent manner.
 - 3.3.5 Where applicable, clearly distinguish between the responsibilities, accountabilities, decision-making, interaction and cooperation of the board of directors, chairman, chief executive and senior management.
 - 3.3.6 Require a clear division of responsibilities to ensure a balance of power and authority, so that no one individual has unfettered powers of decision. Where the posts of chairman and chief executive are combined in one person, evidence that appropriate controls are in place to ensure that management is sufficiently accountable to the board or directors should be provided.
 - 3.3.7 Have access to accurate, relevant and timely information. Where stakeholders participate in the corporate governance process, they should have access to relevant information.

3.4 Risk management, conflicts and complaints

The Board of Directors should:



3.4.1 Have in place systems to monitor independent risk functions and report deviations to an appropriate level of management. Where appropriate a risk management and/or an asset liability committee should be established to ensure adequate risk control techniques and procedures are applied and/or adequate investment policies are implemented.

3.4.2 Have adequate procedures to promote customer awareness of products and services and have in place clear complaints procedures that are communicated properly to their customers.

3.4.3 Where applicable, establish policies that require directors to disclose interests in any contract to which the licensee is a party, whether the interest is direct or indirect, as soon as he is aware of the fact. Generally, policies should be adopted to prevent directors and senior officers from taking personal advantage of opportunities that arise as a result of the position as a director or officer.

3.4.4 Ensure that the Board are not subject to undue influence from management or outside concerns.

3.4.5 Have in place an appropriate compliance committee or person who should report directly and regularly to the Board on all compliance matters.

3.4.6 Have in place a proper remuneration policy for directors and senior management. To review that policy periodically ensuring that it is compatible with the entity's strategy and values.

3.5 Directors

3.5.1 A Director is an agent of the company to whom authority has been given by and on behalf of the shareholders and is appointed or elected to manage and direct the affairs of a company. The position is recognised not solely by the name but by the functions, authority and power exercised. There is no such thing as a "nominee" Director when it comes to liability in that a director may be held accountable for losses through lack of diligence. It is



imperative that directors carefully consider all decisions and that all potential liabilities are analysed and understood.

3.5.2 A Director should operate according to the rules contained in the Articles of Association and within the powers of the company contained in the Memorandum of Association.

3.5.3 A Director is in a fiduciary position to the company. Directors should act in good faith and in the interests of the company. In holding a position of trust a director should not misuse his powers or the opportunities of his position, or misapply the company's property.

3.5.4 In conducting his duties a Director is required to exercise the degree of care, skill and diligence of a reasonable diligent person with both the knowledge and experience expected of a director in their position and also any specific knowledge or skills that they may have.

3.6 Audit function

Comprehensive audit programmes are central to the internal controls systems installed.

3.6.1 The Board should have in place external and internal audit functions, with the establishment of an Audit Committee where appropriate.

3.6.2 The Board should be responsible for the selection, retention, evaluation and compensation of those conducting audit reviews.

3.6.3 The Board should arrange for a periodic independent review of the entity's internal control processes.

3.7 Regulatory relations

The Board is ultimately responsible for all acts and omissions of the licensed entity which includes its compliance with legal and regulatory obligations.



Furthermore, it is the responsibility of the Board to ensure that all applicable Policies, issued by the Authority, are fully complied with by the licensee. The Board should appoint a liaison Board member to deal with regulatory matters to ensure that the Board is kept informed of any regulatory concerns or information. The Board should ensure that the appropriate follow up action is taken following instructions or recommendations from the Authority.