



# ROLE OF THE DIRECTORS IN A COMMERCIAL BANK

## TRAINING COURSE OUTLINE

*This more advanced course is intended for current members of the Board of Directors of commercial banks, potential directors, senior and middle level management and those that want to understand what practical issues and challenges come before directors and how they might react as responsible bankers.*

## COURSE DETAILS

**Course Hours** 14 (2 days)

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### Target Audience

This more advanced course is intended for current members of the Board of Directors of commercial banks, potential directors, senior and middle level management and those that want to understand what issues and challenges come before directors and how they might react as responsible bankers.

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### Course Description

During this course, participants will learn about:

- The dynamics and structure of decision making in a bank. The relationship between the stakeholders and roles of the shareholder, non-executives and executives.
- Their responsibilities and duties as directors (and their potential liabilities)
- Some of the difficult and challenging issues that they are likely to face as directors of a bank
- What fundamental areas of banking do the directors really need to understand? Where do they need to maintain a firm grip on the information provided to them?
- Some of the pitfalls of banking and where boards have got it wrong in the past.
- The priorities that directors and banks need to understand and have constantly before them.

Draft Charters and documentation will be provided.

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### Course Objectives

- An understanding of the structure of commercial banks and how and why it differs from companies in other sectors.
- An analysis of the role and functions of the shareholders, the Board of Directors, the various committees and the executive management and divisions of the bank showing they all fit and work together.
- Knowledge that it is they who are ultimately responsible to all the stakeholders for what happens in the bank.
- Preparation on what to look out for as a director and how to react in a crisis
- An understanding of how strong banks are governed and controlled

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### Assessment

There will be no formal assessment, but participants will be expected to contribute actively to the discussions.

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### Course Languages

All presentations and hand-outs will be in English and the local language.

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### Prerequisites

At least three years banking experience at a middle or senior management level. A good working knowledge of English would be helpful but not a requirement. A translation will be provided.

## COURSE OUTLINE

### Module 1

#### The structure of the bank

- The various stakeholders in the bank
- The role of shareholders
- The role and responsibilities of the Board of Directors
- The committees of the Board of Directors
- The Chief Executive Officer and the Board of Management

### Module 2

#### The power balance within the bank

- Who appoints whom within the bank?
- Building trust between board and management.
- Drawing the line between non-executive and executive
- Dealing with dominant individuals and/or weak leadership
- The alarm signals that the checks and balances of corporate governance are not working

### Module 3

#### Managing shareholder expectations

- Should you pay dividends or build retained earnings?
- Dealing with a downturn
- The limits of shareholder interference in the bank
- Building value in the shares. The share price.
- Maintaining shareholder relations

### Module 4

#### The formulation of the strategy

- The role of the board in the formulation of strategy
- Sticking to the wrong strategy can sink the bank
- Strategies for a saturated banking market
- Strategy can be seen as a constraint by management on their freedom of action
- The balance between profitability and stability

### Module 5

#### Understanding the business model of the bank

- Structure of the balance sheet
- The sources of income: pricing, interest income v fee income.
- Costs and cost control
- Business generation and product distribution channels
- Ratios: what investors, rating agencies and bond markets expect to see
- Swaps and derivatives – what is happening in the Dealing Room?

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## Module 6

### Capital

- Capital Adequacy Ratios
- The structure of the capital of the bank
- The effect of Basle III on capital and costs
- Raising additional capital
- Handling dilution of existing shareholders and loss of “control”

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## Module 7

### Maintenance of confidence

- Do depositors look at profits or ratios?
- The importance of PR and managing the press
- Building the external image
- Internal confidence of all staff in the future of the bank
- Always do better than the minimum required by the regulators

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## Module 8

### Funding and liquidity cost money

- Banks go bankrupt because they run out of money
- “Bought money” banks – the structure of deposits
- Greater reliability of retail deposits and savings accounts
- Liquidity is expensive but without it banks don’t survive
- Understanding, measurement and control of market risk

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## Module 9

### Reducing the pressure on management

- Make the strategy and budget attainable without any cutting of corners
- The Board of Directors and the management are a team working towards the same ends
- Leave the management of the bank to the management. No micromanagement.
- Reduce Return on Equity expectations
- Deliver a clear and feasible Risk Appetite of the Board of Directors

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## Module 10

### When should the board become alarmed?

- Beware the “once in a lifetime” opportunity
- The overconfident and dominant Chief Executive
- Watch the press, the share price and rumours for negative signals
- When members don’t understand or read all of the papers that they are given before meetings
- When everybody is satisfied with the status quo

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## Module 11

### The major decisions

- When everybody advises “yes”, it is difficult to say “no” Advisors have vested interest in “yes”
  - Who is giving the Board of Directors an independent view (which delays and costs money)
  - IT is highly specialised, complicated and expensive. Who understands what is involved?
  - Failures can they be blamed on the Board of Directors (who may have been ill-informed)
  - Recent blunders by well-known banks where boards may have been out-of-their- depth
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## Module 12

### **Confirming to the shareholders the validity, transparency and accuracy of the accounts.**

- The need for a fully functioning Audit Committee
- Problem loan provisioning, is it adequate?
- Is Internal Audit strong enough to contradict the executive?
- “Creative accounting” signals
- Dealing with conflicts of interest

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## Module 13

### **Incentivising the executive**

- Tied to Key Performance Indicators
- Is it too much or too little?
- A bonus can reflect a short term trading gain but a long term loss
- Push too hard for immediate profitability creates problems in the future
- “Golden handcuffs”

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## Module 14

### **The dynamics of the board**

- Collective responsibility and presenting an united front
  - The management of disputes in the board
  - Ultimate personal responsibility rests with the individual member of the board
  - Role of the chairman
  - The running of a board meeting
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## COURSE PRESENTER

### **Jeremy Denton-Clark, Director, GBRW Limited, London**

Mr Denton-Clark has 48 years of banking experience in commercial banks including:

- 32 years working in banks in the City of London which included 8 years as sole Chief Executive Officer of a merchant bank
- 16 years in international banking consultancy in emerging markets
- Currently a member of the Board of Directors of a commercial bank in Bosnia (nominated by the IFC)
- The London Representative of a bank in Mongolia

Mr Denton-Clark has been a Director of GBRW Limited for over 10 years. He has completed numerous bank consulting assignments in the UK, Africa, Asia, countries of the former Soviet Union and South Eastern Europe. He is a specialist in:

- Bank Strategies, in particular SME and Retail banking Strategies
- Corporate Governance and Organisation Structure in emerging markets
- Risk Management and Bad Debt Recovery
- Treasury: liquidity and funding, Asset and Liability Management and ALCO
- MSME financing in Eastern Europe, CIS and Middle East.
- Marketing and New Product Development.

On every project in a developing economy Mr Denton-Clark has conducted formal training sessions and in many countries he lectures on banking topics to the Faculty of Economics at the local university.

He has for a number of years run training sessions on corporate governance and bank organisation to bankers in a variety of countries.

## CONTACT DETAILS



To discuss your Bank's needs in more detail, or to find out more, please contact one of the GBRW Consulting Banking Practice team.

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