

WORKING PAPER PRESENTATION

Addressing the Risk of Misconduct in the Banking Sector: The Relationship Between Culture, Governance and Remuneration

Dr Shirley Quo, Adjunct Senior Research Fellow

Thursday, 11 August 2022 | 4.00pm–5.30pm (SGT) via Zoom

ABSTRACT

This paper aims to examine the link between culture, governance and executive remuneration practices as the key drivers of misconduct in the banking sector. In particular:

- the contribution of the accountability regimes as encapsulated in the Banking Executive Accountability Regime (BEAR) in Australia and the Senior Manager and Certification Regime (SMCR) in the UK to incentivise positive behaviours and discourage misconduct;
- the use of variable executive remuneration as a tool to reinforce and embed good conduct and prevent or reduce the risk of misconduct; this includes a discussion of the Financial Stability Board (FSB)'s supplementary guidance to its principles and standards on sound compensation practices which specifically focuses on the use of compensation tools in addressing misconduct risk;
- the Australian Prudential Regulatory Authority (APRA)'s Prudential Inquiry into the Commonwealth Bank of Australia (CBA) as a case study for the insights it provides (lessons learned) in relation to management of its non-financial risks especially the close links between accountability and governance, risk management and culture; and
- the causes and consequences of misconduct by applying various tools to mitigate misconduct risk through enhanced governance frameworks and mechanisms identified by the FSB in Strengthening Governance Frameworks to Mitigate Misconduct Risk: A Toolkit for Firms and Supervisors.

ABOUT THE SPEAKER



Dr Shirley Quo is currently working on a research project for the Centre for Banking & Finance Law at National University of Singapore, Faculty of Law, on the relationship between culture, governance and remuneration practices, and the risk of misconduct in the banking and finance sector in Australia. Prior to this, she was working as a Senior Lecturer at the University of Auckland, Department of Commercial Law, in New Zealand. Dr Quo has also worked as a Senior Lecturer at Murdoch Law School in Australia and the Auckland University of Technology (AUT) Law School in New Zealand. Dr Quo is currently employed as a Senior Lecturer at Curtin Law School in Western Australia.

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