

Since 1999, Central Banking Publications has organised annual residential training courses/seminars which have been attended by more than 4,000 central bankers and supervisors from over 140 countries.



# Central Bank Governance: The Role of the Board

22-25 April 2013, Cumberland Lodge, Windsor, UK

Course Chairman

**John Mendzela**

Managing Director

Mendhurst Associates

Series Advisor

**Charles Goodhart**

Professor Emeritus

London School of Economics

# Dear delegate,

*"The very substantial changes that are going to take place in the Bank of England require substantial changes in the organisation and governance of the Bank."*

**Andrew Bailey**, Managing Director,  
Prudential Business Unit, UK FSA and  
Executive Director, Bank of England,  
November 2012

Change in central bank responsibilities and mandates is no longer a possibility but the reality.

And it is a reality that central banks need to recognise.

This can be only done with a robust governance structure.

Increasingly central banks are now invariably expected to take on responsibilities for financial stability and macroprudential policy. With these new tasks, come new demands, new resourcing requirements and new institutional relations. Perhaps most critically, the line between monetary and fiscal policies can become increasingly blurred.

Operationally new functions expose them to new market and reputational risks; politically they face new questions over their competence, performance and value for money.

Such far-reaching change creates threats, but also opportunities. Above all it requires that central banks urgently review their governance structures and processes to ensure they preserve their credibility and hard-won independence.

Yet, the absence of an industry standard makes the design, let alone the implementation, of a fit-for-purpose governance structure far from straightforward.

The benefits of such a review are however clear. Sound governance structures and practices guarantee expertise and professionalism in policy decisions; knowledgeable and effective institutional oversight insulates an institution from attacks and maintains credibility at a time of economic uncertainty.

Properly structured and briefed, a governing board will act as institutional guardian. By understanding the business its central bank does and the environment it operates in, the board will discharge its responsibilities in determining the organisation's strategies,

oversight of risk management and the efficient use of resources and capital.

But central banks have become increasingly technical and specialised institutions. So to be effective boards must focus their efforts and ask the right questions.

This seminar is designed to equip members of governing and supervisory boards, including non-executive directors, to perform their oversight role as effectively as possible. It is designed for those who sit on, support or interact with governing boards – or may be called upon to do so in future.

Key sessions focus on:

- The impact of changing mandates on central bank governance
- Improving institutional governance
- Operation of the board: committees and procedures
- Enterprise risk management: a governance function
- New risks to central bank financial strength (and independence?)
- Board culture: achieving good appointments
- Central bank governance: the state of the art

All discussions are held in roundtable format to encourage participants to share their experiences and debate the pressing issues in their field. Each session allows participants opportunities to question an expert panel of speakers and to benchmark themselves against best practice internationally.

This format, as more than 4,000 central bankers and regulators can attest, encourages delegates to quiz panellists, raise issues and discuss solutions to the specific challenges they face.

We look forward to welcoming you to Windsor on 22 April.

Yours sincerely,



Robert Pringle,  
Chairman  
Central Banking Publications

Monday 22 April

# Central Bank Governance in Focus

## The impact of changing mandates and responsibilities on central bank governance

Grace Koshie, Chief General Manager and Secretary to the Board, Reserve Bank of India

Central banks and the business of central banking are changing at a rapid pace – responsibilities are greater while demands on central bank accountability increase. At this time of change, a central bank's internal governance structure needs to visibly reflect new mandates and responsibilities. Yet it must also show resolve, protecting as it does independences. In this opening session the speaker will look at the governance lessons that can be drawn from the crisis and consider the future roles of central bank boards in light of this experience. While arrangements must be robust, they must also have the capacity and flexibility to respond to new challenges. The speaker will draw on the Reserve Bank of India's experience in dealing with the crisis to identify lessons for the sector broadly. In particular, the session will consider challenges such as the potential for goals to conflict, information availability and flow between departments, and the increasing technical demands central banks have to face.

## Improving institutional governance

John Mendzela, Managing Director, Mendhurst Associates

Until recently, thinking about central bank governance concentrated on policy decision-making. Institutional governance has, too often, been an afterthought. This can lead to confusion or potential for conflicts of interest for institutions that can perform roles as diverse as policymaker, investor, supervisor and manufacturer. Indeed the governance arrangements of many central banks would typically fail to meet the requirements for listed corporate entities or regulated financial institutions within their own jurisdictions. If they are not to jeopardise their credibility, then central banks must visibly practice what they preach. In this session, the chairman will identify models for institutional governance that central banks currently operate, and outline improvement paths under each model to implement robust governance principles.

## Workshop: key issues for participants

Workshop led by John Mendzela

This session will examine how ideas discussed earlier in the day are affecting specific institutions. The chairman will encourage participants to talk about the steps they have taken to improve governance standards and practices, the obstacles they have encountered and the key objectives that they wish to achieve in the future. Participants will be sent a short questionnaire prior to the course which will allow the chairman to constructively navigate the discussion allowing for participants facing similar issues to compare and learn from each other's approaches. This debate will also enable later sessions to target the specific concerns of participants.



■ This was an excellent programme, useful to all central bankers attached to the Board in any capacity ■

Arti Sinha, Deputy General Manager, Reserve Bank of India

## Tuesday 23 April

# Effective Governance

### **Operation of the board: committees and procedures**

John Jussup, former General Counsel and Corporate Secretary, Bank of Canada

How many committees is too many? Can there be too few? How can decision making of the board be best structured? Effective and appropriate governance procedures are an indispensable element of institutional efficiency and success for both commercial and public sector organisations. Unlike the commercial sector however, central banks lack a ready-made template for governance. This session examines how a leading central bank has structured its governance arrangements, roles and responsibilities. The speaker will focus on how the board monitors the performance of the governor, the role of an audit committee, the roles and remits of other key committees and the preparation and approval of communications and reports. Discussion will focus on the strains that events like the financial crisis can put on the governance system and how such an experience can highlight areas for improvement.

### **The job of the board secretary – the guardian**

John Jussup

The board secretary is perhaps to the public the least visible player in the governance structure of a central bank. Yet the role is crucial for a number of reasons. A board secretary has a key part to play in managing information flow and making senior management simplify their message so as to keep a board's discussion both focused and informed. This is essential for the sound running of the organisation. Quite often the secretary plays both the role of the general counsel as well as the recording secretary, which raises a number of questions about the appropriate qualification for this role. In this session, the speaker will reflect on his experiences in this role, setting out what he sees as the essential jobs and challenges of the secretary.

### **Enterprise risk management: a critical governance function**

Luděk Niedermayer, Director, Deloitte Consulting and former Vice Governor, Czech National Bank

As central banks engage in new operation and prepare to take on new roles, so their risk profile necessarily changes. The risk oversight function that the central bank board plays therefore become more important and more challenging. The speaker, a highly experienced risk manager, will outline how a risk management function can look across at operational, financial and reputational risks, and the techniques used to identify and measure these in the risk function itself and within individual business units and processes. He will show how a central bank's board can formally determine its risk appetite. A series of case studies will analyse examples of risk management "gone wrong" and group discussion will draw out the lessons to be learned.

### **Financial regulatory governance: an institutional blindspot?**

Tarisa Watanagase, former Governor, Bank of Thailand (invited)

Was the era of the "Great Moderation" in fact one of the "Great toleration"? The governance of financial regulation has been identified by observers as a weak link in domestic financial architecture. The crisis exposed a number of issues that had been overlooked or ignored in good times, but which proved critical at times of financial stress: uncertain regulatory authority, a lack of information and of information exchange between regulators, and regulatory structures misaligned with the modern, interconnected financial system. In this session, the speaker, drawing on the experiences of US, UK, the eurozone and other countries, will discuss how and to what extent the governance structures and culture of central banking and financial regulation need to change to deal with the new macroprudential mandates increasingly found in central banks.

Wednesday 24 April

# Demonstrating Good Governance

## New risks to central bank financial strength (and independence?)

Sue Milton, former Adviser, Bank of England and co-editor, *The Capital Needs of Central Banks*

Post-crisis many central banks' balance sheets make for unpleasant viewing. More broadly, a combination of reduced earnings from low-yielding foreign exchange reserves, rising sterilisation costs and capital losses as interest rates rise mean they may face structural imbalances for years to come. Does this mean that central banks risk losing their financial credibility? Is financial strength crucial for maintaining policy independence? Do arrangements for profit and loss sharing with government, and the definition of central bank profit and recapitalisation need to be reconsidered? What is the suitable level of capital? This session examines changes in balance-sheet risks and how the board should approach its role in overseeing financial risk management. The session will also consider whether with new mandates central banks are under risk of weakening their financial strength and how to respond to this risk.

## Value for money: reviewing effectiveness and efficiency

John Mendzela

Actively overseeing effectiveness and the efficient use of resources are core tasks for central bank boards. Granted a national monopoly, central banks must be able to demonstrate not only the required results but also prudent stewardship of the resources entrusted to them. In the current environment, of scrutiny on public finances, governments, parliaments, the media and the public are understandably keen to know that their central bank is operating efficiently. This session explores how central banks can best collect, analyse, apply and report information about their performance.

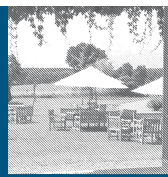
## Good governance in action

Peter Nicholl, Former Governor, Central Bank of Bosnia and Herzegovina and former Deputy Governor, Reserve Bank of New Zealand

This case-study session looks at how governance at a central bank has developed over time. The speaker, who as the central bank's first governor shaped the reform and modernisation of the institution, will explain how the bank implemented and developed governance structure and procedures to manage relations with government. And stuck to them. Discussion will focus on the broader lessons central banks can learn, such as setting clear objectives and establishing a formal planning process, monitoring performance, and having robust budgeting in place.

### CBP training course/seminar series, Spring 2013:

- Strategic Planning and Change Management for Central Banks
- New Development in Banknote and Currency Management
- Financial Stability: Designing and Implementing Macroprudential Policy
- Supervision of Islamic Financial Institutions, Markets and Products
- Central Banks Governance: the Role of the Board
- Central Bank Statistics: Domestic and International Challenges
- How to Implement a Risk-Based Framework for AML and CFT
- Effective Internal Audit for Central Banks



## Thursday 25 April

# Communication and Culture

### The importance of communication

Mirela Roman, Director, Communication Department, National Bank of Romania

Transparency is an essential prerequisite for accountability. What does central bank need to communicate to best demonstrate good governance? How should the central bank “brand” itself through its external communication? This occurs “incidentally” through policy and operational communications, but this session will look at how central banks can more consciously and broadly shape perceptions, build confidence and demonstrate good governance to their stakeholders. This speaker will also discuss the optimal level of transparency for a central bank and whether it is necessary or feasible for central banks to function as open books, given the challenges faced, notably in sensitive lending operations or setting collateral limits.

### Board culture: achieving good appointments

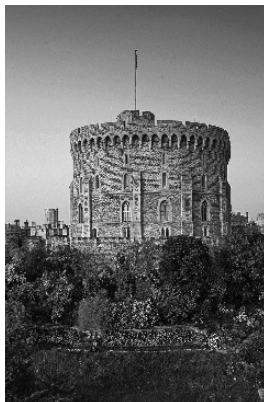
Discussion session led by John Mendzela

Central bank board decisions are influenced, as in any organisation, by board culture and member behaviours. What is the board culture and interactions? What is then the appropriate “job description” for a central banking board member? What does a board member need in terms of skills, special viewpoints, character, contacts or resources? Participants will be encouraged to describe and reflect on the governance culture within their own institutions.



■ ■ Unforgettable learning experience in a very congenial environment ■ ■

Francois Van Zyl, head of Strategic Planning,  
South African Reserve Bank



#### About the course chairman

**John Mendzela** uniquely combines deep specialism in central banking institutions with a wide business skill base and extensive commercial experience. He brings deep and independent insight to the governance and management of central banks. John has 25 years experience in central bank governance and management, working as an independent external adviser, in-house change leader, and IMF consultant. His practical expertise draws on work with a diverse range of central banks in developed, developing and transition economies, across many different cultures. John's experience outside central banks includes company chairmanship and directorship and worldwide consulting in governance, management and strategy. John is professionally qualified in governance, consulting, accounting and finance, management and human resources, information systems, and marketing and communication.

# Booking details

## Course fee: £3,400

### 4-Day (3 nights) residential course

Course fee includes: en-suite accommodation, meals, refreshments, course documentation and a complimentary copy of the most recent issue of the Central Banking journal. Substitute delegates can be accepted should the registered delegate be unable to attend; please let us know prior to the event.

## How to book

Please complete and return the registration form overleaf to:

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### ■ Central Banking

Publications has given us a great opportunity to share the pressing issues faced by central banks in the world. ■■

Shubhangu V, Latey,  
Reserve Bank of India



## The venue

Cumberland Lodge, The Great Park  
Windsor, Berkshire, SL4 2HP

The 2013 Spring Series will take place at the Cumberland Lodge in Windsor. Set in the tranquil heart of Windsor Great Park, only 27 miles from London and a short distance from Heathrow airport, the Cumberland Lodge is perfectly placed for local, national and international meetings. Dining and accommodation are top class and the atmosphere is that of a friendly country house.

## About Central Banking Publications

Central Banking Publications' events division is the leading independent organiser of public policy seminars/training courses for the official sector. Since 1999, CBP has hosted roundtable seminars and training courses for over 4,000 senior policymakers from central banks, ministries of finance and financial regulatory agencies around the world. Senior officials from more than 140 countries have attended these meetings over the past decade and a half.



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