

## Preface

Profit and share value are the only objectives in private entities and success or failure to achieve those objective characterizes corporate governance as good or bad . . . . but things are not that simple in the financial sector. Only constant here is evolution; continuous change, improvement and development in institutions, systems, products and delivery methods, is the hallmark of these changes. The fierce competition is challenging the weaker players to strive for their very survival.

Here corporate governance goes beyond measuring success or failure in terms of profit and share value. It works like traffic signals for identification and management of various risks, for proactive decision-making and for initiating prompt corrective actions. Its ultimate aim is avoiding systemic bank failures, maximizing value of banking business in terms of quality products, wealth and employment and enabling the banking sector to play an active role in the economic development of the country.

In practical terms, corporate governance in banks maps all points of responsibility, power and accountability in three dimensions – board, management and other employees; auditors & regulators; and society at large.

The main objective behind the compilation of this handbook is to provide guidance to the members of the Board of Directors and the Management of the banks for promoting corporate governance in their respective institutions. This hand book has been organized as following:

First part (chapter 1) gives introduction to the subject and provides rationale for its adoption. It covers the concept, definition and need of good corporate governance in banks. The objectives and reasons for publishing this handbook have also been discussed.

Second part (chapter 2) is compendium of key recommendations of codes and principles of different committees and forums in the world. In this part of handbook, relevant 'Core Principles for Effective Bank Supervision' are also included to underscore the reasons of supervisory body's interest in good corporate governance in banks. On the whole, this part of the book aims to acquaint the reader with the international standards of corporate governance.

Part three (chapter 3 to 6) is a consolidation work. It comprises of relevant local laws, regulations, directives and codes issued by different regulatory agencies in Pakistan. All these laws and regulations have been put together in topic-wise fashion. This part lies at the heart of this handbook and attempts to make available (topic-wise) all the sections of relevant laws in this volume.

Part four consists of references and annexure.

**It is pertinent to mention here that this handbook is not exhaustive in its scope. All the provisions of relevant prevailing laws, rules/regulations and directives, as issued and amended from time to time, shall remain applicable and need to be meticulously complied with. Any comments/views for improvements are welcome.**

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