The voice of banking
& financial services

Adam Gray
Long-term focus consultation
Corporate Law and Governance
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Dear Adam

A long-term focus for corporate Britain

Please find enclosed the British Bankers' Association's response to the BIS call for evidence 'A long term focus for corporate Britain'. The British Bankers' Association (BBA) is the leading association for UK banking and financial services for the UK banking and financial services sector, speaking for over 220 banking members from 60 countries on the full range of the UK and international banking issues. All the major banking players headquartered in the UK are members of the association as are the large international European Union (EU) banks with operations in the UK, the US banks operating in the UK and many other financial entities from around the world. The integrated nature of banking means that our members are engaged in activities ranging widely across the financial spectrum encompassing services and products as diverse as primary and secondary securities trading, insurance, investment banking and wealth management, as well as deposit-taking and other retail/commercial banking activities.

As the consultation paper outlines, The Companies Act 2006 provides that a director should act in a way which will promote the success of the company for the benefits of its shareholders as a whole and, in doing so, have regard to the long-term consequences of their decisions and wider expectations such as the interests of the companies employees and the impact of the company's operations on the community and on the environment. This makes good business sense and we believe that boards overall act in the long-term interests of shareholders albeit tempered by pressures for short-term performance.

A key theme for the paper is the relationship between a company and its institutional investors. In this regard we view the Stewardship Code as a step in the right direction and are supportive of the FRC in its endeavours to promote the code, including its provision of a list of organisations which have published a statement of commitment to the code and the access it provides to the statements via its website.

On remuneration, we would draw attention to the extensive regulatory requirements applicable to UK banks in respect of the 2010 reporting year and would underline the importance of any general requirements viewed as necessary to be consistent with these.

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On takeovers, we would suggest that greater emphasis on risk appraisal as provided by the Walker Review of banks and other financial institutions may be of general relevance. We would support the introduction of an explicit requirement for shareholders to vote on takeover bids but would maintain some form of materiality threshold. While we would agree that the boards of target companies should consider fully the long-term implications of takeover bids and ensure that these are communicated effectively to shareholders and wider stakeholders, we would see it as detrimental to the UK economy to put in place restrictions on takeovers of the type that exist elsewhere.

Overall, we believe the UK economy to be well served by its capital markets and their ability to attract inward investment. We therefore cannot recommend highly enough the need to consider global competitiveness factors in determining whether or not additional regulatory measures are needed whether in respect of the issues raised in the paper or company law and corporate governance generally.

Yours sincerely

Paul Chisnall
Executive Director