205.Governance in Financial Institutions (GFI)

For AIBB

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Suggestion:

- ***Read 4 star and 5 star marked chapter if you have time shortage to read all chapter.***
- ***Must read short notes from all chapters.***
- ***Meta Mentor Center suggests to read whole note to find 100% common in exam. We cover everything in our note.***

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Module-A
Concept of Governance

Q-01. Define Corporate Governance with historical perspective? BPE-7th.
Or Corporate governance is the system by which business corporations are directed and controlled." Justify the statement in the context of financial Institutions. BPE-98th.

Corporate governance: Corporate governance is the framework of rules, practices, and processes by which a company is directed and controlled. It encompasses the mechanisms through which companies, and those in control, are held accountable. Corporate governance involves balancing the interests of a company's many stakeholders, such as shareholders, management, customers, suppliers, financiers, government, and the community. Key elements include board composition, roles and responsibilities, risk management, internal controls, and transparency in reporting. Effective corporate governance ensures accountability, fairness, and transparency in a company's relationship with all its stakeholders. It provides the structure through which company objectives are set and the means of attaining those objectives while monitoring performance.

Historical Perspective of Governance:

World Scenario: Before 16th Century, there only existed partnership business. After forming regulated companies, there were no rules of corporate governance. The enactment of Foreign and Corrupt Practices Act in 1977 was the embryonic beginning of Corporate Governance in the world. A lot of Fraudulent activities occurred in corporate sectors before 1980 in UK, USA and Asian Countries. This resulted huge losses in companies. Hence, to stop corporate fraud and scandals, the corporate experts introduced some policies through the Organization for Economic Cooperation & Development (OECD).

Bangladesh Scenario:

Pre-independence Stage: Most companies were dominated by large family conglomerates. There was no governance policy.

1980s – 2000s: Government introduced the Companies Act, 1994. From then, Companies were formed and operated as per the rules of this Act. Besides, after lots of scandalous issues in companies, Government formed Securities Exchange Commission (SEC) to govern the companies. SEC introduced the Corporate Governance Code in 2006.

2010s - Present: Bangladesh Securities & Exchange Commission (BSEC) introduced new guidelines in 2018 which are mandatory to follow for all the listed companies in stock market.

Q-02. Why good governance is so important in the financial institutions? BPE-96th. BPE-98th. BPE-7th.

Or, Discuss the need and importance/ benefits of a good governance in banks?

Or, Good governance not only boosts the reputation of the bank, but also has several benefits to its progress."-Explain the statement in brief. BPE-98th.

1. Better Decision-Making: Good governance ensures that decisions are made based on research and analysis rather than personal interests or preferences.

2. Transparency and Accountability : It improves transparency, clear reporting, and accountability mechanisms that provide checks and balances to those in power.

3. Securing Stakeholders' Interests and Confidence: It builds trust and protects the rights and investments of all parties involved, such as customers, employees, shareholders, and the public.

4. Effective Risk Management: It involves identifying, assessing, and mitigating financial risks to prevent losses and ensure stability.

5. Enhanced Reputation : Good governance enhances the reputation of the bank by demonstrating responsible and ethical behavior.

6. Guarantees Ethical Operations: It ensures that the institution's activities are conducted with integrity and in accordance with moral principles.

7. Increased Efficiency: Good governance promotes effective and efficient management practices that lead to improved performance and profitability.

8. Better Compliance : It ensures compliance with local and international laws, regulations, and standards, reducing legal and regulatory risks.

9. Encourages Long-term Sustainability: By promoting sound practices, good governance helps financial institutions remain robust and prosperous over time.

10. Efficiently Channels Funds : Good governance ensures that the flow of funds in the economy is smooth and efficiently channels funds from savers to investors.

In summary, good governance in financial institutions fosters transparency, accountability, risk management, stability, investor confidence, and regulatory compliance.

Q-03. Discuss about the purposes of Governance in Banks or Financial Institutions. BPE-98th.

Governance in banks or financial institutions serves several key purposes:

1. **Risk Management**: It ensures that the bank takes and manages risks wisely, like carefully choosing who to give loans to.
2. **Regulatory Compliance**: Banks must follow many laws and regulations. Good governance ensures they comply with these rules to avoid legal issues.
3. **Operational Efficiency**: It helps in making the bank's operations smooth and efficient, reducing costs and improving service quality.
4. **Trust Building**: Proper governance builds trust among customers and investors, showing that the bank is reliable and handles money responsibly.

5. **Financial Stability**: It contributes to the overall stability of the financial system by preventing careless or unethical practices that could lead to financial crises.

In essence, governance in banks ensures they operate safely, legally, efficiently, and ethically.

Q-04. Explain Several Aspects/Characteristics/principle of Good Governance.
Or Discuss in brief the key aspects of good governance. BPE-98th.

1. **Transparency:** The bank should be transparent in its decision-making processes, financial reporting, and communication with stakeholders.
2. **Accountability:** The bank should have clear lines of responsibility and accountability. Individuals in positions of authority should be held responsible for their actions.
3. **Independence:** The bank should be independent of political influence or interference and should make decisions in the best interest of its stakeholders.
4. **Fairness:** The bank should treat all stakeholders fairly, without discrimination or bias.
5. **Ethics:** The bank should have a strong ethical culture, with clear values and standards that are enforced throughout the organization.
6. **Risk Management:** The bank should have robust risk management policies and procedures in place to ensure the safety and soundness of the institution.
7. **Board Oversight:** The bank's board of directors should provide effective oversight of the institution's operations, strategy, and risk management.
8. **Stakeholder Engagement:** The bank should engage with its stakeholders, including customers, employees, regulators, and shareholders, to understand their needs and concerns.

Q-05. Way of developing Good Corporate Governance?
Or, Discuss how good corporate governance can be achieved from the perspective of a bank/finance company. BPE-99th.
Or, How to achieve good corporate governance?
Or Way of Good Governance. BPE-96th.

1. **Clear Policies and Procedures:** Establishing well-defined rules and guidelines that outline expected behaviors and decision-making processes.
2. **Independent Board of Directors:** Ensuring the presence of experienced and impartial directors who can provide objective oversight and guidance.
3. **Shareholder Engagement:** Encouraging active participation and communication with shareholders to address their concerns and align interests.
4. **Ethical Culture:** Fostering a culture of integrity, honesty, and ethical conduct throughout the organization.
5. **Risk Management Systems:** Implementing effective risk management frameworks to identify, assess, and mitigate potential risks.

6. **Transparency and Disclosure:** Providing timely and accurate information to stakeholders, enhancing transparency and building trust.
7. **Auditor independence:** Undue influence over the work of audit committees and independent auditors is a concern in terms of CG. Investors need to know that they can trust the financial reporting that an issuer makes, so independence is key to show that the reports are accurate and tell the true tale of the company

Q-06. With the, rising number of banking frauds, what changes to corporate governance structure of banks do you suggest to tackle it? BPE-96th.

To tackle the rising number of banking frauds, changes in the corporate governance structure of banks can be
beneficial:

1. **Stronger Internal Controls**: Implement stricter audit and monitoring systems to detect and prevent fraud early.
2. **Enhanced Transparency**: Make all operations more transparent, so it's easier to spot irregularities.
3. **Employee Training**: Regularly train employees on ethics and fraud detection to increase awareness and vigilance.
4. **Technology Upgrade**: Use advanced technology for security and fraud detection, like artificial intelligence and data analytics.
5. **Strict Compliance**: Enforce stricter adherence to laws and regulations related to banking operations.
6. **Independent Oversight**: Have an independent body or committee to oversee and review bank operations regularly.

These steps can help banks become more resilient against fraud and maintain trust among customers and stakeholders.

Q-07. Discuss the Basel principles on Corporate Governance of bank or financial institutions.

Or, briefly describe the corporate governance principles issued by Basel committee on banking supervision. BPE-96th.

Or, Briefly discuss any four principles of corporate governance for financial institutions as formulated by Basel Committee. BPE-5th.

1. **Principle 1 - Board's overall responsibilities:** The board is in charge of overseeing the bank's strategic direction, governance framework, and the establishment of corporate culture.
2. **Principle 2 - Board qualifications and composition:** Board members are required to be appropriately qualified and maintain a deep understanding of their oversight and governance roles.

3. **Principle 3 - Board's own structure and practices:** It is the board's duty to define, implement, and review its own governance structures and practices to ensure effectiveness.
4. **Principle 4 - Senior management:** The board directs senior management to align the bank's operations with the agreed-upon business strategy and risk policies.
5. **Principle 5 - Governance of group structures:** The parent company's board must manage and establish a governance framework suitable for the group's structure and risks.
6. **Principle 6 - Risk management function:** The bank should have a robust, independent risk management function led by a CRO, with full access to the board.
7. **Principle 7 - Risk identification, monitoring, and controlling:** Ongoing risk management processes are required to match the bank's risk profile and external changes in the financial landscape.
8. **Principle 8 - Risk communication:** Clear communication channels within the bank are crucial for effective risk governance and reporting to the board and senior management.
9. **Principle 9 - Compliance:** The board oversees the bank's compliance risk, ensuring there are proper functions and policies in place for managing it.
10. **Principle 10 - Internal audit:** The board is responsible for the internal audit function, focusing on the management of the bank's compliance risk.
11. **Principle 11 - Compensation:** The bank's remuneration policies should reinforce sound governance and risk management.
12. **Principle 12 - Disclosure and transparency:** The bank is expected to be transparent in its governance to stakeholders and market participants.
13. **Principle 13 - The role of supervisors:** Banking supervisors guide and monitor corporate governance, requiring improvements and facilitating information exchange with other supervisors.

Q-08. What are the main purposes behind the formation of different subsidiaries by the financial institutions? BPE-97th.

Financial institutions create different subsidiaries for several main reasons:

1. **Specialization**: Each subsidiary can focus on a specific type of financial service, like loans, insurance, or investment, becoming more skilled in that area.
2. **Risk Management**: By separating different activities into subsidiaries, the parent institution can limit risks. If one subsidiary faces a problem, it doesn't directly affect the others.
3. **Regulatory Compliance**: Different financial services have different rules. Separate subsidiaries make it easier to comply with these specific regulations.
4. **Market Expansion**: Subsidiaries allow the institution to expand into new markets or regions more easily, adapting to local needs and laws.

5. **Financial Efficiency**: It can be more tax-efficient and can lead to better financial management across different services.

In summary, forming subsidiaries helps financial institutions manage risk, comply with regulations, and specialize in services, expand their market reach, and operate more efficiently.

Q-09. What do you understand by Vision and Mission? BPE-98th.

Vision:

Vision is your "Where" and "How."
It's your desired future state.
It outlines your long-term goals and aspirations.
It inspires and motivates your team.

Example of Vision

Vision: To be a leading bank in the country, supporting the small and medium businesses and financial inclusion of the population of Bangladesh.

Mission:

Mission is your "What" and "Why."
It's your core purpose and reason for existence.
It defines what you do and who you do it for.
It guides daily actions and decisions.

Example of Mission

Mission: The mission of XYZ Bank is to contribute to the sustainable development of Bangladesh by providing responsible financial services and solutions to households small and medium enterprises, using best banking practices. We are committed to delivering value for our clients, shareholders, employees and the society at large.

Mission is a general statement of how you will achieve your vision.

Q-10. What is importance/purpose of mission statement? BPE-99th.

Or, Importance and Benefits of a Mission Statement.

A mission statement serves an important purpose for an organization by:

1. **Guiding Direction:** It provides a clear and concise statement of the organization's purpose, vision, and values, guiding decision-making and strategic direction.
2. **Defining Identity:** It establishes the organization's unique identity and differentiates it from others in the market.
3. **Inspiring and Motivating:** It inspires employees by conveying the organization's larger purpose, motivating them to work towards a common goal.
4. **Stakeholder Communication:** It communicates the organization's objectives and values to stakeholders, including customers, employees, investors, and the community.
5. **Alignment and Focus:** It aligns the efforts of individuals and teams within the organization, fostering a sense of unity and focus on shared goals.

Q-11. Discuss the elements of an effective brand promise? BPE-99th.

1. **Clarity:** The brand promise should be clear and concise for both customers and employees to understand.
2. **Consistency:** It should be consistent throughout all customer interactions and experiences.
3. **Authenticity:** The promise should be genuine and achievable, reflecting the core values and capabilities of the bank.
4. **Relevance:** The promise should address the needs and expectations of the target audience and be relevant to them.
5. **Differentiation:** The promise should set the bank apart from its competitors and highlight its unique offerings.
6. **Measurability:** It should be measurable, with key performance indicators to track progress and evaluate success.

Q-12. Discuss the BIS of code of conduct?

Standard of conduct: In the interests of their professional standing, and to protect the reputation of the Bank, Members of Staff shall maintain the highest standards of conduct both at and outside the Bank.

1. **Basic principles members of staff:**
    a. Act honestly and impartially
    b. Devote their working hours to the interests of the Bank
    c. Should treat all their colleagues with respect
    d. Avoid any form of discrimination
2. **Avoidance of potential conflicts of interest:** Staff should steer clear of situations where personal interests could conflict with their responsibilities to the Bank. Gifts or hospitality must be modest and within the policy guidelines unless specified otherwise in the relevant documentation.
3. **External activities:** The privileges and immunities granted to Staff by the Bank's agreements are to ensure their independence and the Bank's unimpeded functioning, not for personal benefit.
4. **Contacts with the media and publications:** Only the General Manager, Deputy General Manager, or authorized Staff may engage with media or make public statements about the Bank's policies and activities.

Q-13. In light of special staff rule, 1997 formulated by BIS, discuss 'Duty of Confidentiality'. BPE-99th.

The "Duty of Confidentiality," as outlined in the Special Staff Rules 1997, established by the Bank for International Settlements (BIS), mandates that employees protect sensitive information related to the Bank's operations, transactions, and stakeholders. This obligation requires strict non-disclosure of any proprietary or confidential material both during and after employment with the BIS. Staff members must exercise utmost discretion and refrain from sharing such information with unauthorized parties or using it for personal or external benefit.

This principle reinforces the BIS's commitment to maintaining trust, safeguarding its reputation, and ensuring the integrity of its role in global financial systems. Violations of this duty can result in severe disciplinary measures, including dismissal.

Q-14. Compare between Code of Ethics and Code of Conduct. Discuss the important factors that should be included in a well-articulated code of conduct. BPE-5th.

Both the ***Code of Ethics*** and ***Code of Conduct*** are guiding documents that outline the expected behaviors of individuals within an organization. However, they serve different purposes:

- ***Code of Ethics*****:** This is a set of guiding principles that help individuals make decisions based on the organization's core values. It's more about belief systems and the general philosophy of right versus wrong. For example, a company's Code of Ethics might emphasize honesty, respect, and integrity.
- ***Code of Conduct*****:** This is a more specific and detailed document that provides guidelines for behavior in specific situations. It outlines the dos and don'ts, and what is acceptable and unacceptable behavior. For instance, while a Code of Ethics might advise employees to act with integrity, a Code of Conduct might provide specific guidelines about accepting gifts from clients or how to handle conflicts of interest.

A well-articulated **code of conduct** is a set of rules that guide how employees and members of an organization should behave. It should include the following key factors:

1. **Honesty and integrity** – Always be truthful and do the right thing.
2. **Respect** – Treat everyone fairly, with kindness and dignity.
3. **Compliance** – Follow all laws, regulations, and company policies.
4. **Confidentiality** – Keep sensitive information private.
5. **Accountability** – Take responsibility for your actions.
6. **Professionalism** – Maintain a positive attitude and proper behavior at work.
7. **Fair dealing** – Avoid conflicts of interest and treat all parties fairly.

In short, the code should promote ethical, respectful, and responsible behavior in the workplace.

Q-15. "Regulators and supervisors can play important roles for ensuring good governance in the banks and FIs"—Explain. BPE-5th.

"Regulators and supervisors can play important roles for ensuring good governance in banks and FIs" –

Explanation:

1. **Set Rules and Standards** – They create laws and guidelines for proper banking operations.
2. **Ensure Compliance** – They monitor whether banks follow these rules.

3. **Promote Transparency** – Require banks to disclose accurate financial and risk information.
4. **Strengthen Risk Management** – Guide banks in identifying and managing risks responsibly.
5. **Support Ethical Practices** – Encourage a culture of integrity and fairness in financial institutions.
6. **Protect Stakeholders** – Safeguard depositors, investors, and the public interest.
7. **Take Corrective Actions** – Can penalize or take action against mismanagement or rule violations.
8. **Ensure Financial Stability** – Help maintain a safe and sound banking system.

Case Study

Case-1: Conflict of Interest and Weak Board Oversight Case Scenario: BPE-6th
XYZ Bank, a mid-sized private commercial bank in Bangladesh, is under regulatory investigation for multiple governance failures. Recent findings by Bangladesh Bank and external auditors indicate serious lapses in board effectiveness and internal control mechanisms. Notably:

- Related party lending was approved without proper documentation or risk assessment.
- Internal audit reports raised red flags about loan classification, delayed provisioning and procurement anomalies.
- The chairperson and the CEO belong to the same family, raising concerns over board independence and objectivity.
- There are no independent directors on the board and board meeting minutes show that strategic decisions are often made informally without full board consensus.
- The bank's code of conduct was last updated five years ago, is not communicated to staff and lack enforcement mechanisms.

These issues have led to reputational damage, negative media coverage and depositor concern, resulting in a decline in public interest and trust.

Questions:

(a) What key governance principles were violated at XYZ Bank?

(b) What reforms would you recommend to strengthen board oversight, independence and ethical governance?

(c) How should XYZ Bank restructure its internal audit and compliance functions to ensure effectiveness?

(d) Recommend regulatory steps Bangladesh Bank might take to ensure corrective action.

Answers:

(a)key governance principles were violated at XYZ Bank

- **Violation of Board Independence:** The chairperson and CEO belonging to the same family reduced independence and objectivity in board decisions.

- **Lack of Accountability:** Related-party loans were approved without documentation, showing that directors and management were not held accountable.
- **Weak Transparency:** Internal audit red flags were ignored, and board meeting minutes were incomplete, showing poor disclosure and transparency.

(b) Reforms would strengthen board oversight, independence, and ethical governance

- **Ensure Board Independence:** Appoint independent directors and separate the roles of Chairperson and CEO.
- **Strengthen Board Committees:** Form effective Audit, Risk, and Ethics Committees with independent oversight.
- **Introducing Fit-and-Proper Criteria:** All directors and senior managers should meet regulatory and ethical eligibility standards.

(c)XYZ Bank restructured its internal audit and compliance functions

- **Ensure Audit Independence:** Internal Audit must report directly to the Board Audit Committee, not to the CEO.
- **Adopt Risk-Based Internal Audit (RBIA):** Audit plans must prioritize high-risk loans, related-party transactions, and procurement.
- **Enhance Compliance Unit:** Create a dedicated compliance department to monitor regulatory adherence and internal policies.

(d)Regulatory steps might Bangladesh Bank take for corrective action

- **Issue a Corrective Action Directive:** Bangladesh Bank may order XYZ Bank to fix governance weaknesses within a specified timeline.
- **Mandate Appointment of Independent Directors:** Require the bank to add qualified independent directors to restore board objectivity.
- **Order Special Audit or Forensic Review:** Bangladesh Bank may appoint external auditors to investigate related-party lending and procurement anomalies.

Case-2: Governance Failure, Ethical Misconduct & Weak Control Culture at Unity Savings Bank Ltd.

Case Scenario: Unity Savings Bank Ltd., a publicly listed financial institution in Bangladesh, is facing serious governance and ethical failures. A recent inspection conducted by Bangladesh Bank and an independent audit firm revealed that the bank has systematically weakened its internal control structure and compromised ethical standards. Key findings include:

- **Board Intervention in Operations:** Several board members routinely instructed branch managers to approve loans for personal acquaintances and business partners, bypassing the standard approval chain.
- **Absence of Effective Oversight:** The bank's board committees, especially the Audit Committee and Risk Committee, failed to meet regularly, and most decisions were made without reviewing key risk reports.

- **Conflict of Interest:** Two directors had business dealings with companies receiving large loans from the bank. These transactions were not disclosed in board minutes or shareholder reports.
- **Weak Ethical Culture:** The Code of Conduct was outdated and had not been revised for six years. Staff were not trained in ethics, misuse of authority, or conflict-of-interest guidelines.
- **Internal Control Breakdown:** Significant procurement contracts were awarded without tendering, and internal audit repeatedly flagged irregularities in vendor payments, which management ignored.
- **Poor Transparency:** The bank's financial reports lacked clarity on related-party transactions and deviations in provisioning requirements.

These failures have damaged the bank's reputation, caused depositor withdrawals, and raised concerns among regulators and shareholders regarding the integrity of the governance system.

Questions:

(a)What key principles of corporate governance were violated at Unity Savings Bank Ltd.?

(b)How can the roles and effectiveness of board committees (Audit Committee, Risk Committee, Ethics Committee) be improved to enhance governance?

(c)Suggest measures to improve transparency, disclosure practices, and internal control systems at the bank.

Answers:

(a)key principles of corporate governance were violated at Unity Savings Bank Ltd.

A review of the case shows that Unity Savings Bank Ltd. has violated several fundamental principles of corporate governance. These violations can be explained as follows:

1. Transparency Violation

- Related-party loan transactions were not disclosed in board minutes or shareholder reports.
- Financial statements lacked clarity regarding provisioning deviations and related-party exposures.

2. Accountability Failure

- Board members interfered in loan approvals, undermining the standard approval process.
- Internal audit reports highlighting vendor irregularities were ignored by management.

3. Lack of Independence

- Board decisions were influenced by personal interests and political-style pressure.
- Audit Committee and Risk Committee failed to operate independently and did not meet regularly.

(b)The roles and effectiveness of board committees can be improved? (Audit, Risk, Ethics Committee)

To strengthen governance, Unity Savings Bank's board committees must adopt the following improvements:

1. Improving the Audit Committee

- Hold mandatory quarterly meetings with documented agenda.
- Review internal audit reports and ensure timely corrective actions.

2. Strengthening the Risk Committee

- Define risk appetite and risk tolerance clearly.
- Review credit, market, operational, and liquidity risk reports regularly.

3. Enhancing the Ethics Committee

- Update the Code of Conduct annually and communicate it widely.
- Conduct training on ethics, conflict of interest, and responsible behavior.

(c)Measures to improve transparency, disclosure practices, and internal control systems

Unity Savings Bank must adopt the following measures to restore transparency and strengthen its internal control culture:

1. Enhancing Transparency

- Disclose all related-party transactions clearly in financial statements.
- Document loan proposals, approvals, and exceptions with proper justification.

2. Strengthening Internal Control Systems

- Reconstruct the internal control framework using the COSO model.
- Ensure the Internal Audit Department is fully independent and reports directly to the Audit Committee.

3. Establishing Whistleblowing and Complaint Mechanisms

- Introduce secure whistleblowing options (email, hotline, web portal).
- Ensure protection for whistleblowers to encourage reporting.

Compare and contrast

Q-01. Difference between Accountability vs Responsibility

Aspect	**Accountability**	**Responsibility**
Meaning	Accountability means being answerable for outcomes.	Responsibility means being assigned a duty.
Measure ment	It is measured through results, performance, and decisions.	It is measured through tasks and roles.
Example	A Board is accountable for bank risk failure.	A credit officer is responsible for preparing a loan proposal.

Q-02. Difference between Governance and Management

Aspect	Governance	Management
Responsibility	Governance is the responsibility of the Board of Directors.	Management is the responsibility of senior executives and employees.
Focus	It focuses on direction, control, oversight, and policy.	It focuses on day-to-day operations and implementation.
Aim	Its aim is to ensure accountability, ethical conduct, and risk control.	Its aim is to achieve targets and run efficiently.

Q-03. Difference between Transparency vs Disclosure

Aspect	Transparency	Disclosure
Meaning	Transparency means operating openly so stakeholders can understand decisions.	Disclosure means providing specific information through reports and statements.
Purpose	To build trust and reduce hidden practices.	To share mandatory information with regulators and investors.
Example	Open decision-making, clear loan processes.	Publishing financial statements, related-party transactions.

Q-04. CRR vs SLR BPE-6th

Aspect	CRR	SLR
Meaning	CRR is the percentage of deposit that banks must keep as cash with Bangladesh Bank.	SLR is the percentage of deposits that banks must hold as liquid assets within the bank.
Purpose	Its purpose is to control money supply and ensure cash safety.	Its purpose is to ensure liquidity and protect depositors.
Form	It must be maintained only in cash.	It can be maintained through cash, gold, or government securities.

Q-05. Brand vs Brand Promise .BPE-7th.

Basis	Brand	Brand Promise
Meaning	Brand is a name, design, symbol, sign, or identity that distinguishes a bank or financial institution from others.	Brand Promise is the commitment made by a bank or institution to deliver a consistent experience and value to customers.
Focus	Brand mainly focuses on identity and recognition in the market.	Brand Promise mainly focuses on customer expectations and service commitment.
Purpose	The purpose of a brand is to create image and differentiation.	The purpose of a brand promise is to build trust and customer loyalty.

Short Questions

Q-01. What do you mean by corporate governance? BPE-97th.

Corporate governance refers to the system of rules, practices, and processes by which a company is directed and controlled. It involves balancing the interests of a company's many stakeholders, such as shareholders, management, customers, suppliers, financiers, government, and the community. For example, a school's board of directors decides on its policies and ensuring it operates in a way that benefits students, teachers, and the community, is a form of corporate governance. This ensures the company operates fairly, transparently, and efficiently to achieve its goals and maintain accountability.

Q-02. What is code of conduct? BPE-97th.

A code of conduct is like a set of rules for how people should behave. Imagine you're part of a club or a team; the code of conduct tells you what is expected of you and everyone else. It includes guidelines on being respectful, honest, and fair. For example, in a school, a code of conduct might say students should not cheat on tests, should treat teachers and classmates with respect, and should follow the school's rules.

In workplaces, a code of conduct helps employees know what acceptable behavior is, such as not using offensive language, avoiding conflicts of interest, and maintaining confidentiality. By following a code of conduct, everyone knows how to act properly, which helps create a positive, respectful, and efficient environment. It's like having a map that shows the right path to follow.

Q-03. Name two regulatory bodies overseeing financial governance.BPE-6th

Financial governance includes supervision, control, and monitoring of banks and financial institutions to ensure transparency, accountability, and compliance with laws and regulations. The question expects students to identify two major authorities that regulate and monitor the financial system.

Two regulatory bodies overseeing financial governance in Bangladesh are:

1. **Bangladesh Bank**, which supervises and regulates all banks and financial institutions to ensure safe and transparent financial operations.
2. **Bangladesh Securities and Exchange Commission (BSEC)**, which regulates the capital market, including listed companies, stock exchanges, and investors to ensure fair and lawful market practices.

End of First Chapter