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ANALYSIS ON CORPORATE GOVERNANCE PRACTICES OF YOMA BANK LIMTIED

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ANALYSIS ON CORPORATE GOVERNANCE PRACTICES OF YOMA BANK LIMTIED

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ABSTRACT

This paper was presented on the analysis of Corporate Governance practices of Yoma Bank. The analysis focuses on compliance of Corporate Governance practices of Yoma Bank Limited on CBM regulations. Yoma Bank is one of the earliest banks that have established a Corporate Governance framework and practices. The study presents about the analysis on compliance of CG practices of Yoma Bank with five categories. These five categories include compliance of CG practices by the Board of Directors, compliance of CG practices by Senior Management, compliance of CG practices by Majority Shareholders, compliance of CG practices in Risk Management, and compliance of CG practices by Compliance and Internal Audit teams. Analysis of the study was based on the compliance of regulatory standards enacted by CBM in terms of laws, regulations, directives, instructions, and guidelines. The study was analyzed from both primary and secondary data. Primary data was collected from interviewing of relevant CG stakeholders in Yoma Bank. There were 20 respondents participated in the 44 questionnaires. The questionnaires were prepared based on the CBM's Financial Institutions Law, Directives, and Guidelines. The study presented its findings on compliance of Yoma Bank's CG practices as well-complied on CBM regulations and follows the major regulatory requirements with well-prepared policies and procedures. Compliance of CG practices by the Board of Directors is the most compliance part of Yoma Bank's CG practices and compliance of CG practices in Risk Management is the least compliance part. However, there is a well-structured Risk Management framework that the bank practices in accordance with CBM regulations.

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LIST OF ABBREVIATIONS

AGM	-	Annual General Meeting
ALCO	-	Asset and Liability Committee
AML	-	Anti-Money Laundering
BC	-	Basel Committee
BCBS	-	Basel Committee on Banking Supervision
BIS	-	Bank for International Settlements
BOD	-	Board of Directors
CAO	-	Chief Audit Officer
CBM	-	Central Bank of Myanmar
CCG	-	Centre of Corporate Governance
CCO	-	Chief Compliance Officer
CCO	-	Chief Credit Officer
CEO	-	Chief Executive Officer
CFO	-	Chief Financial Officer
CFT	-	Combating the Financing Terrorism
COO	-	Chief Operating Officer
CPO	-	Chief Performance Officer
CRO	-	Chief Risk Officer
CG	-	Corporate Governance
DICA	-	Directorate of Investment and Company Administration
ED	-	Executive Director
FBE	-	Fusion Banking System
FIL	-	Financial Institutions Law
FMI	-	First Myanmar Investment Public Co., Ltd.
FT	-	Financing of Terrorism

G10	-	Group of Ten
G20	-	Group of Twenty
HDI	-	Human Development Index
IFC	-	International Finance Corporation
IIA	-	Institute of Internal Auditors
INED	-	Independent Non-Executive Director
IT	-	Information Technology
MCA	-	Myanmar Companies Act
MyCO	-	Myanmar Companies Online
MFI	-	Microfinance Institution
MIS	-	Management Information System
ML	-	Money Laundering
MMK	-	Myanmar Kyat
NED	-	Non-Executive Director
NPL	-	Non-Performing Loan
OECD	-	Organization for Economic Cooperation and Development
SEC	-	Security Exchange Commission
SME	-	Small and Medium Enterprise
SOX	-	Sarbanes-Oxley Act
SPSS	-	Statistical Package for the Social Sciences
UK	-	United Kingdom
US	-	United States/ United States of America
USD	-	United States Dollar
YB	-	Yoma Bank

CHAPTER 1

INTRODUCTION

Corporate Governance (CG) is a set of structures and processes that provide strategic direction and oversight control of the Bank. It includes relationships between the Bank's shareholders, Board of Directors, and executive bodies for the purpose of creating long-term shareholder value. Effective Corporate Governance is critical to the proper functioning of the banking sector and the economy as a whole. Banks perform a crucial role in the economy by intermediating funds from savers and depositors to activities that support enterprise and help drive economic growth.

Yoma Bank (YB) is the 5th largest bank in Myanmar in terms of market share. Having a good governance is the top strategic priority of YB. The CG framework of YB is broadly based on the Organization for Economic Cooperation and Development (OECD) principles of: 1) Accountability, 2) Fairness, 3) Transparency, and 4) Responsibility.

Supervisors have a keen interest in sound Corporate Governance, as it is an essential element in the safe and sound functioning of a bank and may adversely affect the bank's risk profile if not operating effectively. Well-governed banks contribute to the maintenance of an efficient and cost-effective supervisory process, as there is less need for supervisory intervention.

1.1 Rationale of the Study

Corporate Governance determines the allocation of authority and responsibilities by which the business and affairs of a bank are carried out by its board and senior management, including how they set the bank's strategy and objectives; select and oversee personnel; operate the bank's business on day-to-day basis; protect the interests of depositors, meet shareholder obligations, and take into account the interests of other recognized stakeholders; align corporate culture, corporate activities and behavior with the expectation that the bank will operate in a safe and sound manner, with integrity and in compliance with applicable laws and regulations; and establish control functions. Strong Corporate Governance may permit the supervisor to place more reliance on the bank's internal processes. In this regard, supervisory experience underscores the importance of having the appropriate levels of authority, responsibility, accountability, and checks and balances within each bank, including those of the board of directors but also of senior management and the risk, compliance and internal audit functions.

Corporate Governance is the first basic tool that Yoma Bank started to set up at the beginning of its restructuring after full banking license is reinstated. Together with the full board restructuring, Corporate Governance (CG) Policy Manual, a combination of CG policies and procedures, was the first policy enacted in 2015. The CG Policy Manual was last updated on 2016 and thus, it has been three years since it was last updated and it needs to be reviewed and revisited by the Board. However, the Board and Management is exercising a good governance as a basic tool in managing risks.

Since Yoma Bank aims to become an internationally standardized bank, it is important to be aligned with Basel Committee (BC) on Corporate Governance. The Bank's CG Policy Manual was prepared with consultation of CG experts from International Finance Corporation (IFC). CG principles are generally in alliance with Basel Committee's guidelines as both Yoma Bank and Basel Committee referred from principles of CG published by the Organization for Economic Cooperation and Development (OECD).

Yoma Bank's CG practices are in compliance with Central Bank of Myanmar (CBM)'s regulations. Yoma Bank formed required committees and exercise the required practices accordingly with the roles of each committees, enacted by CBM. However, there are some Committees not formed yet, as enacted in Central Bank of Myanmar (CBM)'s Financial Institutions Law and Basel Committee's guidelines on CG principles for banks, even though they are not must-haves in regulatory requirement. The thesis analyzed on CG practices of Yoma Bank based on CBM regulations.

1.2 Objectives of the Study

The main objectives of the study are to identify the existing Corporate Governance (CG) practices of Yoma Bank and to analyze the compliance of CG practices of Yoma Bank based on CBM regulations. The specific objectives of the study are as follows:

1. To identify the existing CG practices of Yoma Bank.
2. To analyze the compliance of CG practices of Yoma Bank.

1.3 Scope and Method of the Study

The thesis focused on Corporate Governance structure and practices of Yoma Bank. The study is based on the Bank's Corporate Governance Policy Manual enacted in 2016 and identified the existing Corporate Governance practices. It is crucial for an organization, especially for banks, to have a good Corporate Governance in order to have sustainable development and organizational strength.

The study is based on Descriptive Method and Analytical Method by using both secondary and primary data. The primary data is mainly applicable in the use of Analytical Method. Primary data was collected by face-to-face interview with structured questionnaires to BOD members, Senior Management members, and Corporate Sectary. In terms of population of the data collection process, 7 BOD members, 12 Senior Management members, and 2 Corporate Secretaries were interviewed for the primary data collection. The Likert scale questionnaires used during the interview are attached in appendix. Secondary data was collected by reports, books, internet websites, and relevant researches.

The analysis was presented based on the Central Bank of Myanmar (CBM)'s regulatory standards. The CBM regulatory standards referred to Financial Institutions Law and its follow-up directives for implementation.

1.4 Organization of the Study

The study is organized with five chapters. Chapter one presents introduction with the following subtitles: rationale, objectives, scope, method, and organization of the study. Chapter two includes theoretical background of Corporate Governance. In chapter three, background of Yoma Bank, Corporate Governance practices of Yoma Bank, group-level Corporate Governance framework of its majority shareholder, FMI Public Co., Ltd. and regulatory framework of Corporate Governance for Financial Institutions in Myanmar were explained. Furthermore, research design, demographic profile of respondents, analysis on compliance of Corporate Governance practices of Yoma Bank in accordance with CBM’s regulations, and comparison on compliance of CG practices of Yoma Bank were expressed in chapter four. Conclusion includes findings, suggestions, limitation and needs for further study in chapter five.

CHAPTER 2

THEORETICAL BACKGROUND

This chapter includes six parts. The first part includes definitions of Corporate Governance and the second part consists of Theories of Corporate Governance such as agency theory, stewardship theory, resource dependency theory, stakeholder theory, and systems theory. The third part presents Corporate Governance approaches on UK Code and US Code. The fourth part states the OECD principles of Corporate Governance while the fifth part presents with Basel Committee on Banking Supervision. Lastly, the sixth part concludes with CG practices regulated by CBM.

2.1 Definitions of Corporate Governance

The first Corporate Governance report, Sir Adrian Cadbury's Report on the Financial Aspects of Corporate Governance (1992), defined Corporate Governance as 'the system by which companies are directed and controlled' and further explained that Board of Directors are responsible for the governance of their companies, which the shareholders' role in governance is to appoint directors and auditors, and to satisfy themselves that an appropriate governance structure is in place.

Hilmer (1993), wrote in the Australian context, emphasized the strategic responsibility of the board, suggested that 'the board's key role is to ensure that corporate management is continuously and effectively striving for above average performance, taking account of risk, (which) is not to deny the board's additional role with respect to shareholder protection'.

The OECD's report on G20/ OECD principles of Corporate Governance (2015) defined Corporate Governance as 'Corporate Governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate Governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined'.

2.2 Theories of Corporate Governance

The most common Corporate Governance theories are as follows. They are agency theory, stewardship theory, resource dependency theory, stakeholder theory, and systems theory.

2.2.1 Agency Theory

Jensen and Meckling (1976) explained the agency theory as 'Agency theory involves a contract under which one or more persons (the shareholders) engage other persons (the directors) to perform some service on their behalf which includes delegating some decision-making authority to the agent. If both parties to the relationship are utility maximizers there is good reason to believe the agent will not always act in the best interests of the principal'.

Arise from the distinction between the owners (shareholders) of a company designated as the 'principals' and the executives hired to manage the organization called 'the agent'. Agency theory argues that the goal of the agent is different from that of the principals and they are conflicting. The assumption is that the principals suffer an agency loss, which is a lesser return on investment because they do not directly manage the company. Consequently, agency theories suggest financial rewards that can help incentivize executives to maximize the profit of owners.

Further, a board developed from the perspective of the agency theory tends to exercise strict control, supervision, and monitoring of the performance of the agent in order to protect the interests of the principals. In other words, the board is actively involved in most of the managerial decision making processes, and is accountable to the shareholders.

2.2.2 Stewardship Theory

Stewardship theory argues that the managers or executives of a company are stewards of the owners and both groups share common goals (Davis, Schoorman, & Donaldson, 1997). Therefore, the board should not be too controlling, as agency theories would suggest. The board should play a supportive role by empowering executives and in turn, increase the potential for higher performance (Hendry, 2002; Shen, 2003).

Stewardship theories argue for relationships between board and executives that involve training, mentoring, shared decision making (Shen, 2003; Sundaramurthy & Lewis, 2003).

2.2.3 Resource Dependency Theory

Resource dependence theories argue that a board exists as a provider of resources to executives in order to help them achieve organizational goals (Hillman, Cannella, & Paetzold, 2000; Hillman & Daziel, 2003). Resource dependence theories recommend the board advocating for strong financial, human, and intangible supports to the executives. For example, board members who are professionals can use their expertise to train and mentor executives in a way that improves organizational performance. Resource dependency theories recommend that most of the decisions be made by executives with some approval of the board.

2.2.4 Stakeholder Theory

Stakeholder theories are based on the assumption that shareholders are not the only group with a stake in a company or corporation. Stakeholder theories argue that clients or customers, suppliers, and the surrounding communities also have a stake in a corporation. They can be affected by the success or failure of a company. Therefore, managers have special obligations to ensure that all stakeholders, not just the shareholders, receive a fair return from their stake in the company (Donaldson & Preston, 1995). Stakeholder theories advocate for some form of corporate social responsibility, which is a duty to operate in ethical ways, even if that means a reduction of long-term profit for a company (Jones, Freeman, & Wicks, 2002). In that context, the board has a responsibility to be the guardian of the interests of all stakeholders by ensuring that corporate practices take into account that principles of sustainability for surrounding communities.

2.2.5 Systems Theory

Systems theory differs boundaries and levels. The theory is identified in three criteria: the system’s boundaries, the system’s level of abstraction, and the system’s function. The system's boundaries determines what is to be considered as within the system itself and what in the system's environment. The system's level of abstraction is the level at which the system is perceived and the amount of detail treated within it. The system's function is what occurs between the system's inputs and outputs (Tricker, B., 2015).

2.3 Corporate Governance Approaches

Corporate Governance approaches are practiced in different countries based on the country's internal factors, such as ownership structure, economy, legal infrastructure, regulatory requirements, culture, and country's historical background. The most popular approaches are principles based approach (UK Code) and rule based approach (US Code).

2.3.1 Corporate Governance Code (UK): Principles Based Approach

The UK Corporate Governance Code (2014) is a set of principles of good Corporate Governance aimed for companies listed in the London Stock Exchange. The public listed companies are required to disclose how they have complied with the code and explained where they have not applied the code. Private companies are also encouraged to conform but there is no requirements enforced for compliance purpose.

The code is consolidated and refined of a number of different reports and codes concerning opinions on good Corporate Governance. According to Cadbury Report (1992), the role of CEO and Chairman should be seperated, role of non-executive director in board and important of auditor's role. In 1995, Greenbury Report by Sir Richard Greenbury, titled, 'Directors' Remuneration', deals specifically with the following: the establishment, membership and status of remuneration committee, the determinants of remuneration policy for executive directors and other senior executives, the disclosure and approval of the details of remuneration policy, and the length of service contract and the determination of compensation when these are terminated.

The Hampel Report (1998) suggests that the Cadbury and the Greenbury principles should be consolidated as combined code. The Turnbull Report (1999) named as 'Internal Control Guidance for Directors on the Combined Code' is published by the

Institutes of Chartered Accounts in England and Wales, set out the board responsibilities on the establishment of sound internal control system within the organization. Derek Higgs issued a report in 2003, with the title, 'Review of the role and effectiveness of non-executive directors'. Higgs strongly backed the existing non-prescriptive approach to Corporate Governance: 'comply or explain'. He also advocated more provision with more stringent criteria for the board composition and evaluation of independent directors.

In September 2014, a new version of UK Corporate Governance Code was issued by the Financial Reporting Council, supporting the issues from one another. The code is a guide to a number of key components of effective board practice. It is based on the underlying principles of all good governance: accountability, transparency, probity, and focus on sustainability of entity over the long run.

2.3.2 Corporate Governance Code (US): Rule Based Approach

In a rule-based country, all provisions are legal rules, underpinned by law, transgression against which is punishable in law. Often characterized as a 'box ticking' approach, full compliance is required by all companies at all times.

The Enron scandal promoted more attention to developing Corporate Governance as a response by the Centre of Corporate Governance (CCG) and Institute of Internal Auditors (IIA) Research Foundation. The Enron scandal was one of the country's biggest bankruptcies filed as a company in the United States. The scandal also resulted in the disappearance of Arthur Anderson, one of the Big Five accountancy firms who had audited Enron's accounts. The major factors of the Enron being collapsed are over-expension in energy market, too much reliance on derivatives trading and misleading and dishonest behavior. This scandal cost investors million dollars when the share prices of affected companies collapsed, affected public confidence in nation's securities market.

Sarbanes-Oxley Act (2002), also known as the 'Public Company Accounting Reform and Investor Protection Act of 2002' and commonly called Sarbanes-Oxley, Sarbox or SOX, is a United States federal law enacted on July 30, 2002. The act applies to all public companies that are required to file periodic reports with the Security Exchange Commission (SEC). Along with rules from SEC, Sarbanes-Oxley requires companies to increase their financial statements disclosure, to have an internal code of ethics and to impose restrictions on share trading by and loans to corporate officers. The act contains 11 titles, ranging from additional corporate board responsibilities to criminal penalties and requires the SEC to implement rulings on requirements to comply with the new law. The act also covers issue such as auditor independence, Corporate Governance, internal control assessment, and enhance financial disclosure.

The major aim of the act is to establish clear accountability of the public company's officers. The Chief Executive Officer and the Chief Financial Officer are required to clarify for the accuracy of the company's financial disclosure and to its disclosure controls and internal control processes.

2.4 OECD Principles of Corporate Governance

The Organization for Economic Co-operation and Development (OECD) is an intergovernmental economic organization with 36 member countries, founded in 1961 to stimulate economic progress and world trade. It is a forum of countries describing themselves as committed to democracy and the market economy, providing a platform to compare policy experiences, seek answers to common problems, identify good practices and coordinate domestic and international policies of its members. Most OECD members are high-income economies with a very high Human Development Index (HDI) and are regarded as developed countries.

In 2000, the OECD Principles of Corporate Governance becomes one of the 12 core standards of global financial stability, and they are now used as a benchmark by international financial institution. The OECD Principles of Corporate Governance were revised in 2004 to assist government in their effort to evaluate and improve legal, institutional, and regulatory frameworks for Corporate Governance in their countries. In February 2015, at the meeting of G20 Finance Ministers and Central Bank Governors, a draft of the revised principles was presented and discussed. After the following months, the principles were subsequently presented in the G20 meetings. The OECD Council adopted the Principles on 8 July 2015. The principles were submitted to the G20 Finance Ministers and Central Bank Governors meeting in September for endorsement as joint G20/ OECD Principles.

The latest version of OECD Principles is covered with six elements: ensuring the basis for an effective Corporate Governance framework, the rights and equitable treatment of shareholders and key ownership functions, institutional investors, stock markets, and other intermediaries, the role of stakeholders in Corporate Governance, disclosure and transparency, and the responsibilities of the board (OECD report, 2015).

2.5 Basel Committee on Banking Supervision

The Basel Committee on Banking Supervision (BCBS) is a committee of banking supervisory authorities that was established by the central bank governors of the Group of Ten countries in 1974. In 2019, the BCBS comprise of 45 members from 28 Jurisdictions, consisting of Central Banks and authorities with responsibility of banking regulation. It provides a forum for regular cooperation on banking supervisory matters. Its objective is to enhance understanding of key supervisory issues and improve the quality of banking supervision worldwide. The Committee frames guidelines and standards in different areas – some of the better known among them are the international standards on capital adequacy, the Core Principles for Effective Banking Supervision, including Corporate Governance, and the Concordat on cross-border banking supervision (Wikipedia).

The Committee's Secretariat is located at the Bank for International Settlements (BIS) in Basel, Switzerland. BCBS has its own governance arrangements, reporting lines and agendas, guided by the central bank governors of the Group of Ten (G10) countries (Wikipedia).

Basel Committee’s guidelines on Corporate Governance principles for Banks were drawn from principles of CG published by OECD. Basel Committee is an international regulator for Myanmar Banking sector as Central Bank of Myanmar is one of the BCBS members, and approaching to reach their standards by issuing new directives and regulations.

2.6 Corporate Governance Practices Regulated By the Central Bank of Myanmar (CBM)

Central Bank of Myanmar regulated Corporate Governance practices for banks in Myanmar, along with their restructuring of regulatory infrastructure. As CBM is following the Basel Committee's standards, CBM regulations are aligned with Basel standards. The analysis of the study focuses on the compliance of CG practices in accordance with CBM regulations. The study covers with 5 main topics in the interviewing questionnaires. These topics are Compliance of CG Practices by the Board of Directors, Compliance of CG Practices by the Senior Management, Compliance of CG Practices by Majority Shareholder, Compliance of CG Practices in Risk Management, and Compliance of CG Practices by Compliance and Internal Audit Teams. The explanation of the 5 topics with regards of CBM regulations are as below.

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2.6.1 Roles of the Board of Directors in CG Practices

The Board of Directors (BOD) is ultimately responsible for establishing a corporate vision strategy and business model and for overseeing a bank's Corporate Governance culture and is expected to develop mechanisms including board committees to achieve this objective. (AML/CFT Risk Based Management Guidance Note, 2015) All functions to be performed and all powers to be exercised by the bank, other than those to be performed by the general meeting of shareholders, shall be performed and exercised by the Board of Directors subject to Financial Institutions Law (FIL). The Board of Directors may frame necessary by-laws in order to systematically perform the functions to be performed by it (Financial Institutions Law, 2016).

The responsibilities of the Board of Directors shall include the overseeing of the management of the affairs of the bank and include adopting and reviewing a comprehensive risk management process; establishing and reviewing the system and procedures of control and risk; adopting policies for organizational arrangements for delegating authority and responsibility; adopting adequate internal practices and procedures that promote ethical and professional standards; adopting and reviewing the system of internal controls of the bank; and ensuring that the bank complies with the requirements of FIL and rules and regulations, directives, and guidelines issued thereunder (Financial Institutions Law, 2016).

The Board of Directors may form one or more committees or sub-committees according to need for specific purposes including Risk Management Committee; Credit Committee; Remuneration Committee; Audit Committee; and Assets and Liability Management Committee. The functions, duties, powers and working procedure of a committee or sub-committee formed under the regulation enacted in FIL, and the remuneration or allowances to be paid to its members shall be as determined by the Board of Directors (Financial Institutions Law, 2016).

CBM expects banks to establish a robust and effective Corporate Governance framework that ensures transparency, accountability and high ethical conduct in all aspects of their operations. Banks should adopt a Code of Ethics that promotes consistently high standards of ethical conduct by all employees. A sound Corporate Governance framework includes the use of effective policies and procedures, monitoring and reporting mechanisms and internal controls. Measures that ensure appropriate separation of functions and the avoidance of conflicts of interests are essential hallmarks of an effective Corporate Governance regime (AML/CFT Risk Based Management Guidance Note, 2015).

2.6.2 Role of Senior Management in CG Practices

Senior Management is responsible for ensuring the effective functioning of the Corporate Governance framework on a day-to-day basis (AML/CFT Risk Based Management Guidance Note, 2015). Senior Management include Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Operating Officer (COO), Chief Compliance Officer (CCO), Chief Internal Auditor or Chief Audit Officer (CAO), Chief Risk Officer (CRO), and Chief Credit Officer (CCO) (Fit and Proper Criteria Directive, 2019).

Bank's senior management is responsible for implementing the corporate vision, strategy and business model approved by the BOD. Senior management shall demonstrate a firm understanding of all aspects of the bank's business model. Moreover, senior management is responsible for the following;- (1) to develop the components of the risk management framework; (2) to ensure that the bank has all the resources necessary to effectively manage risk; (3) to ensure that effective communication and reporting arrangements are in place to support good risk management practices; (4) to ensure that all staff members are aware of the requirements of the risk management framework and their specific roles and responsibilities; (5) to ensure that internal reporting mechanisms, including reports to be sent to the BOD, are developed to provide accurate and timely information relevant to the effective management of risks (AML/CFT Risk Based Management Guidance Note, 2015).

2.6.3 Roles of the Majority Shareholder in CG Practices

Shareholders have regular meeting called Annual General Meeting (AGM). The AGM must be held once a year and several approvals must be made during the meeting such as Audited Financial statement, members of the Board of Directors, External Auditor, and Dividend of the Financial Year. It was enacted in FIL (2016) as the report of the auditors made in accordance with FIL section 89 (a) and shall be read together with the report of the Board of Directors of the bank at the AGM of the bank's shareholders. Directive on Directors of Bank (2019) regulated that the Annual General Meeting of the bank must formally elect the directors from the list of candidates who have been approved by the CBM.

A bank shall not lend to any related parties and shareholders holding more than five percent of the voting shares of the bank unless such transaction has been approved by a vote of two thirds or more of the Board of Directors excluding the involved Director and secured by collateral and made on market terms and conditions (Related Parties Directive, 2019). The most important role of shareholder is to contribute their pro-rata shares while there is an increase Paid-up Capital of the bank. The majority shareholders also need to be in compliance with CBM's Fit and Proper Criteria.

Shareholder representation is regulated in FIL (2016) as only the owners' representative of a bank may make representations to the Central Bank against any action taken by the Central Bank. The owners' representative means the person appointed by a decision taken by a simple majority vote of the owners of the bank to be the representative; and/or the person holding for the time being the office of Chairman of the Board of Directors of the bank is his duly authorized representative.

2.6.4 CG Practices in Risk Management

The CBM expects banks to develop an effective risk management function. The risk management function is the business unit with day to day operational responsibility for ensuring that the bank effectively identifies, measures, monitors, and controls and mitigates risks. From a day-today operational perspective risk management supports senior management and the BOD to achieve the ML/FT risk management objectives discussed in this guidance note. The risk management function should be commensurate with the, size, nature and complexity of the bank's business model and operations (AML/CFT Risk Based Management Guidance Note, 2015).

The Risk Management Process includes the followings: Identification, Measuring, Controlling, Monitoring, and Mitigation. To effectively control and mitigate risk banks need to develop robust MIS systems that provide reliable data on the quantity and nature of ML/FT risks and the effectiveness with which risks are being mitigated. The MIS system used by a bank should be commensurate with the size, nature and complexity of its business model and operations (AML/CFT Risk Based Management Guidance Note, 2015).

2.6.5 Roles of Compliance and Internal Audit Teams in CG Practices

The CBM expects banks to develop an effective compliance function as a component of its ML/FT risk management framework. The compliance function shall be commensurate with the, size, nature and complexity of the bank's business model and operations. The compliance function is separate from the internal audit function as it is a component of a banks day-to-day operational activity. The compliance function shall on an-ongoing basis assess the extent to which the bank is complying with established policies, procedures and limits and obligations arising from applicable laws, regulations and guidelines. The effectiveness of the compliance function rest heavily on the effectiveness with which the MIS generates accurate and timely reports related to the management of ML/FT risks (AML/CFT Risk Based Management Guidance Note, 2015).

The internal audit function shall be an independent function with a direct reporting line to the Board Audit Committee. The internal audit function shall periodically assess the effectiveness of the bank's ML/FT risk management framework and practices paying specific attention to the bank's adherence to established policies procedures and limits and applicable laws, regulations and guidelines (AML/CFT Risk Based Management Guidance Note, 2015).

CHAPTER 3

OVERVIEW OF YOMA BANK LIMITED

There are four main parts in this chapter. They are background of Yoma Bank Limited, Corporate Governance practices of Yoma Bank, group-level Corporate Governance framework of First Myanmar Investment Public Co., Ltd. (FMI), and regulatory framework of Corporate Governance for Financial Institutions in Myanmar.

3.1 Background of Yoma Bank Limited

Yoma Bank, one of Myanmar’s largest private banks, is employing more than 3,000 people. In 1993, soon after the Myanmar government allowed the private sector to go into the banking sector, U Theim Wai founded Yoma Bank and opened the doors of its first branch at Aung San Stadium. Since then, Yoma Bank has built up its technical capacities and worked towards providing modern financial services to its customers. In 2000, Yoma Bank’s IT team designed and implemented a new core banking system, and by 2001, Yoma Bank completed the countrywide computerization (FMI Annual Report, 2017-2018).

By 2003, Yoma Bank was the second largest bank in Myanmar with 41 branches in 24 cities. At this point, a banking crisis hit the entire sector and all banks in Myanmar suffered massive losses. Yoma Bank was able to continue operating but with wide-ranging restrictions such as the inability to process deposits or loans, Yoma Bank shifted its focus to domestic remittances as satellite communications were installed in every branch, becoming the only local bank with such well-developed infrastructure. Yoma Bank was able to offer an unmatched level of reliability and efficiency for transferring money domestically and as a result, was able to win 85% of the market share for remittances within three months (FMI Annual Report, 2017-2018).

In 2012, Yoma Bank’s full banking license was returned, allowing Yoma Bank’s operations to expand further. Through Yoma Bank’s technical innovation, ‘SMART’ banking services were launched in August 2017 to enable online and mobile banking, and this practical banking solution won over 72,000 new customers in the following six months. A new Core Banking System, the FBE system, was rolled out and running in every branch by January 2018 (FMI Annual Report, 2017-2018).

Apart from a history of innovation, Yoma Bank has also established a reputation for adhering to higher ethical standards and investing in the future of the Myanmar economy as a whole. In September 2014, IFC chose Yoma Bank for their first direct investment in Myanmar- a package that included a convertible loan of USD 5 million and advisory help to improve Yoma Bank's Risk Management and Corporate Governance. The IFC and Yoma Bank aim to provide an additional 1,000 loans worth USD 370 million to SMEs by 2019, to reach businesses that significantly contribute to the local economy and build up local communities (FMI Annual Report, 2017-2018).

In 2016, Yoma Bank, together with Telenor Southeast Asia Investment Pte Limited, Telenor Go Pte Limited & Telenor Global Services Singapore Pte Limited, founded Wave Money, Myanmar's first mobile financial service and now the largest mobile money platform in the country (FMI Annual Report, 2017-2018).

A policy change in Myanmar allowed Myanmar banks to start lending to microfinance institutions ("MFIs"). This enabled Yoma Bank to provide better support to small entrepreneurs to build and grow their businesses. In Financial Year 2017-2018, agreements were signed with six MFIs totaling an approved value of MMK 67.2 billion, for which total MMK 35.5 billion in funding has already been made, and more are in the pipeline. Proximity Finance formed a back-to-back funding agreement with Yoma Bank in September 2017, enabling them to reach a further 28,000 new farmer households across Myanmar. Since then, further deals have enabled Yoma Bank to reach over 50,000 additional families. These initiatives have helped previously non-banking communities gain access to formal financial institutions and obtain small loans to help them run their businesses and navigate life's hurdles (FMI Annual Report, 2017-2018).

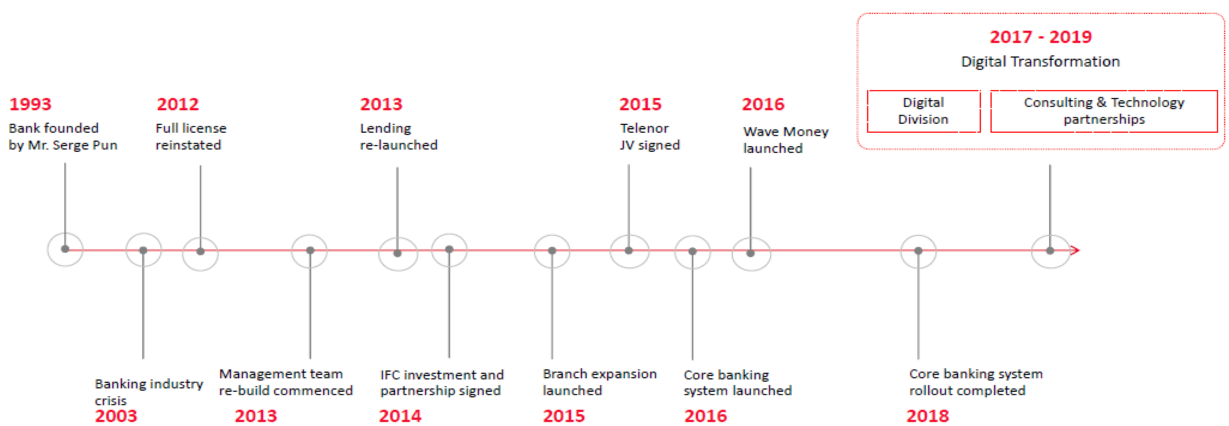
Yoma Bank prides itself on being a rewarding place to work; Yoma Bank won a total of seven awards at the Myanmar Employer Awards of 2017, including the "Overall Best of the Best Local Myanmar Employer Of the Year". These awards were across all departments from marketing and training to human resource, and reflect the co-operative atmosphere and team spirit of Yoma Bank. Communication is very important to sustain this community and in 2015, Yoma Bank was selected as the first company in Asia to beta test Workplace by Facebook. Every Yoma Bank is now connected on Workplace and this has transformed internal communication, making it more efficient, intuitive and transparent (FMI Annual Report, 2017-2018).

In 2018, Yoma Bank went through a comprehensive transformation, which included branch, cash management, and digital transformation in order to provide a better experience for its customers and increased returns for its shareholders. The transformation was undertaken to future-proof the Bank for years to come and to ensure long-term sustainability through the systems and processes implemented (FMI Annual Report, 2017-2018).

As one of the largest and most trusted banks in Myanmar, international organizations put their faith in Yoma Bank because of its reputation for integrity and good business practices. Myanmar is seen as a country with high growth potential for banking, and Yoma Bank is standing at the forefront when it comes to the areas that have been highlighted as most important: small loans to SMEs and customer focused digital banking. Yoma Bank believes that through reaching small-scale entrepreneurs, and through working with them, it can not only help communities build Myanmar's economy, but also continue to grow Yoma Bank (FMI Annual Report, 2017-2018).

Figure 3.1

Timeline of Yoma Bank History



Source: Yoma Bank Corporate Profile, 2019

3.2 Corporate Governance Practices of Yoma Bank

Corporate Governance framework is the first step initially formed in the restructuring process of Yoma Bank after the full license is reinstated in 2012. This title will present CG practices used in Yoma Bank in the form of policy, structure, general CG basis, Board's overall responsibilities, Board qualification and composition, Board's own structure and practices, senior management, and CG supervision.

3.2.1 Corporate Governance Policy of Yoma Bank

Yoma Bank defines Corporate Governance as a set of structures and processes that provide strategic direction and oversight control of the Bank. It includes the relationships between the Bank's shareholders, Board of Directors and executive bodies for the purpose of creating long-term shareholder value. The Corporate Governance framework of the Bank is broadly based on the Organization for Economic Cooperation and Development (OECD) principles of accountability, fairness, transparency, and responsibility. The latest version of Yoma Bank's Corporate Governance Policy Manual was updated in 2016 and it has been developed in adherence with the Financial Institutions Law (2016), the Myanmar Companies Act (1914), and the Articles of Association of Yoma Bank.

The manual consists of Board of Directors Policies, Audit Committee Policies, Risk Oversight Committee Policies, General Corporate Governance Policies, Succession Policy- CEO and Senior Management, Dividend Policy, Conflict of Interest Policy, Related Party Transaction Policy, Advisory Committee, Authority Matrix, Conflict of Interest Disclosure Form, Provision Summary Table, and Sample Board Evaluation.

3.2.2 Corporate Governance Structure of Yoma Bank

Yoma Bank has well-structured Corporate Governance with its Board of Directors and Management Committee. As shown in Figure 3.2, the Board of Directors is reported by two board committees, that is Audit Committee and Risk Oversight Committee. The Management Committee reports directly to the board.

The four operational related committees: Credit Committee, Asset and Liability Committee (ALCO), Product Committee, and NPL Committee report to the Management

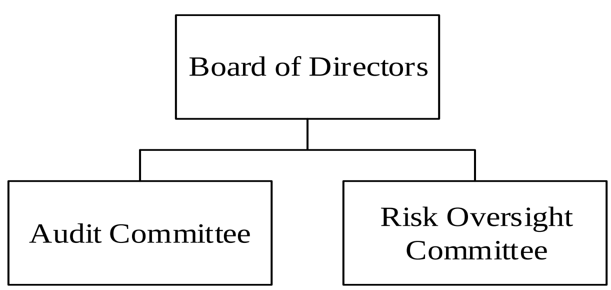
Committee. The Management Committee and its reporting Committees held every week. Each committees are chaired by specific Management Committee members and they also sit as members in each committees relevant with their business unit. The Management Committee is chaired by CEO and Executive Director (ED) sits as a member in the Committee.

CEO and Executive Director sit at the Board as members of the Board of Directors and assist the Board in the Bank's managerial and strategic decision-makings. Audit Committee is chaired by Independent Non-Executive Director (INED) with membership of Non-Executive Directors (NED) of the Board. Risk Oversight Committee is chaired by Non-Executive Director and its members are Executive Director and Independent Non-Executive Director. Audit Committee and Risk Oversight Committee represents as the Board Committees as both committees report to the Board of Directors, chaired by Executive Chairman of the Board. Each division heads (Management Committee members) report to their relevant Board Committees and Board of Directors during the quarterly Committees and Board meetings.

Corporate Secretary is responsible for taking meeting minutes and follow up on action plans that the Board highlighted during the presentation of the management's report. The action plans are reconfirmed at the next Board and Committees' meetings.

Figure 3.2

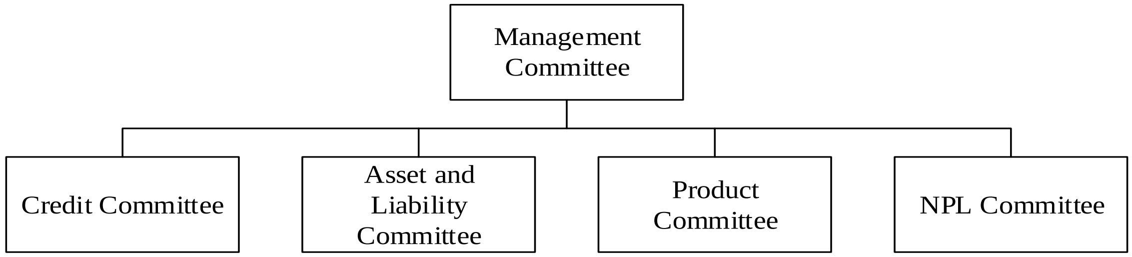
Corporate Governance Structure of Yoma Bank- Board of Directors



Source: Yoma Bank, 2019

Figure 3.3

Corporate Governance Structure of Yoma Bank- Management Committee



Source: Yoma Bank, 2019

3.2.3 General Corporate Governance Basis

Yoma Bank has a proper Corporate Governance Policy enacted since October 2015, along with the Board and Management restructuring. The last update of Corporate Governance Policy Manual was in November 2016. The bank's Corporate Governance Policy Manual was developed with advisory support from IFC's CG expert. The CG framework of Yoma Bank is broadly based on OECD principles of accountability, fairness, transparency, and responsibility. The CG Manual has been developed in adherence with CBM and DICA regulations. The bank has designated team led by Corporate Secretary to perform Corporate Governance tasks such as Board administration, shareholder relations, Board member relations, assist to the Board and Senior Management, etc.

Yoma Bank has provided relevant trainings for its Board members, Senior Management, and Corporate Secretary on CG practices, based on their different roles such as Audit Committee member trainings, Corporate Secretary trainings, etc. The Board members and Senior Management members have adherence to CG policies, Code of Conduct, and applicable laws. The bank also has Speak-Up policy for anonymous reporting of breaches or conduct concerns. The bank has secured email access and Workplace by Facebook for internal communication purpose as the bottom level of the employee can directly chat with the CEO or any other level of the bank through workplace or email. Therefore, the bank's Board members, Senior Management members, and employees are able to communicate each other effectively and timely as a matter of urgency.

3.2.4 Responsibilities of Board of Directors (BOD)

Yoma Bank has clearly-stated roles and responsibilities of its Board members, Senior Management, and Corporate Secretary in the CG Policy Manual. The Board approves the bank's Code of Conduct and Business Ethics, proposed by the Senior Management. The Board also approves the bank's business strategy and organization structure, established and proposed by the Management Committee.

The decision-making process was done by number of votes within the Board and the Chairman is the key decision-maker. The Board is responsible to approve policies and procedures within the Bank, proposed by Senior Management. The Board also participate in nominating and selecting CEO and other Senior Management members of the bank. The Board has regular meeting with the bank's Senior Management as well as Internal and External Auditors. The board members have shared corporate culture and values.

3.2.5 BOD Qualifications and Composition

According to Financial Institutions Law (FIL) and directives regulated by CBM, the Board of Directors of Yoma Bank have limited number of directors with minimum five to maximum fifteen. The term of a director is three years and can be renewed not more than three consecutive times. There is a clearly specified qualifications for directors as it has to be in compliance with Fit and Proper Criteria directive issued by the CBM.

In terms of the Board composition, Chairperson is appointed by majority vote of the members of the Board of Directors, but CEO cannot be appointed as Chairperson. The Board composed of CEO, one Independent Non-Executive Director, Executive Director, and Non-Executive Directors, as members of the Board of Directors. The bank has proper director nomination process enacted in its CG Policy Manual that the Board propose a list of nominees to shareholders for election at the bank's Annual General Meeting (AGM). There are criteria for shareholders in considering the Board of Directors for election and the shareholders appoint the directors of the Board at the AGM.

3.2.6 BOD's Own Structure and Practices

Yoma Bank currently has total seven members in its Board of Directors and their roles in the Board and its Committees are presented in Table 3.1.

Table 3.1

Roles of Directors in the Board and its Committees

Title	Board	Audit Committee	Risk Committee
Executive Chairman	Chairman	-	-
Independent Non-Executive Director	Member	Chairman	Member
Non-Executive Director (1)	Member	-	Chairman
Non-Executive Director (2)	Member	Member	Member
Non-Executive Director (3)	Member	Member	-
Non-Executive Director (4)	Member	-	-
Executive Director	Member	-	Member

Source: Yoma Bank, 2019

As shown in Table 3.1, there are two Board Committees in Yoma Bank, i.e., Audit Committee and Risk Committee. There is no Remuneration Committee, Nomination Committee, Governance Committee, Ethics and Compliance Committee, and Human Resources Committee in the Board structure.

The Board members are communicated each other and/ or with Senior Management mostly through emails as it is not easy to meet all of them in person unless the meeting is scheduled in advance. The meeting minutes and resolutions of the Board are circulated timely within the Board members by Corporate Secretary. According to CBM's Financial Institutions Law and for the sake of independence of the Audit Committee, Independent Non-Executive Director leads the Audit Committee as a Chairman while Non-Executive Directors sit as members. The Committee monitor and review the bank's financial reporting and audited financial statements regularly in the Committee's quarterly meeting. The Committee has to approve the audited financial statement and recommend it to the Board. The Board of Directors then approve the audited financial statements after the end of Financial Year.

Regarding the Risk Committee, CRO has regular reporting and communication with members of the Risk Committee. Both Audit Committee and Risk Committee have effective communication and coordination to facilitate the exchange of information and effective coverage of all risks. The bank also has conflict of interest policy to provide guidance on identifying and handling potential and actual conflicts of interest involving the directors of the bank as Yoma Bank is committed to the highest level of ethical standards.

3.2.7 Role of Senior Management

Yoma Bank has clearly stated roles and responsibilities of Senior Management not only by itself in its CG Policy Manual, but also by regulatory compliance in Fit and Proper Criteria directive issued by CBM. According to CBM directive, the Senior Management includes Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Operating Officer (COO), Chief Compliance Officer (CCO), Chief Audit Officer or Chief Internal Auditor (CAO), Chief Risk Officer (CRO), and Chief Credit Officer (CCO). Yoma Bank has all the roles stated above except Chief Credit Officer. Instead, Yoma Bank has Chief Performance Officer to focus on corporate loans, SME loans, and branch performances. Key responsibilities, authorities, and qualifications of the Senior Management are specifically stated in Fit and Proper Criteria issued by CBM with Directive No. (8/2019).

The Senior Management members are composed as Management Committee of Yoma Bank. CEO leads the Management Committee as Chairman and act as key decision-maker in the Committee. CEO also represents the Management Committee in reporting, proposing, and recommending the Board of Directors. CRO, CAO, and all other Senior Management members mentioned above are part of the Management Committee. All the Senior Management members are reachable to communicate with any levels of employees within the bank through Workplace by Facebook.

There are four committees reporting to the Management Committee, composed with Senior Management and Management team as members and chaired by Management Committee members. The Management's Committees are Credit Committee, Asset and Liability Committee, Product Committee, and NPL Committee.

The Management and its Committees decide operational decisions, strategically assigned by the Board. The Credit Committee, Asset and Liability Committee (ALCO), and NPL Committee, quarterly report to Risk Committee and Risk Committee then report to the Board.

3.2.8 Corporate Governance Supervision

The Board evaluation system is properly enacted in CG Policy Manual as the Board has to conduct a yearly self-evaluation to identify ways to strengthen its overall effectiveness. The Board evaluation is done annually. The Board actually practices on its CG policies and refer to the policies whenever they need to decide unusual cases. The Board of Directors and Senior Management of the bank have regular interaction on important cases.

The bank have regular review for required improvement and remedial action by relevant Senior Management members such as internal control system. Yoma Bank also has monthly Town Hall meeting gathered with Senior to Mid-level Management to share on any outstanding information, updates within the bank, CG information and cooperate, introduction with new recruits, and new products, etc. Yoma Bank has an expert from IFC to monitor and consult the bank's CG structure and practices in annual basis.

Yoma Bank has a proper conflict of interest policy in its CG Manual and the policy is reviewed annually. The conflict of interest disclosure form is properly adopted to prevent the future conflict of interest and to maintain its ethical standard. CBM also enacted the conflict of interest regulation in its directive for Board of Directors.

3.3 Group-level Corporate Governance Framework of First Myanmar Investment Public Co., Ltd. (FMI)

Yoma Bank's parent company, First Myanmar Investment Public Co., Ltd (FMI) has practiced a well-structured Corporate Governance. Good Corporate Governance is one of FMI's foundational principles. FMI seeks to manage its affairs in fair and transparent manner, to create long-term sustainable value for its shareholders and to the wider community through ethical and responsible business practices. This report describes the Corporate Governance practices that were in place during FY 2018. FMI's management believe that it is the Company's inherent responsibility to disclose timely and accurate information to shareholders to allow them to make information investment decisions, and as such, FMI is constantly looking for ways to improve and incorporate international best practices into its Corporate Governance system.

3.3.1 Board Policy of FMI

FMI is a holding company with designated CEOs responsible for its subsidiaries, supported by Group Corporate Governance Framework, Policies, Procedures, and Standards.

There is a clear separation of roles and responsibilities in FMI's Board so that no one individual represents a considerable concentration of power. The Audit Committee, Nominating Committee, and Remuneration Committee (collectively, the "Board Committees") comprise Non-Executive Directors only.

3.3.2 Roles of FMI's Board of Directors

FMI's Board forms the core of FMI's Corporate Governance practices. The Board leads and oversees the decisions of FMI's management team (the "Management") and serves to protect the long-term interests of shareholders and the wider community. FMI believes that an active, well-informed, accountable and independent Board is essential to ensure high standards of Corporate Governance.

3.3.3 Governance and Function of the Board

FMI is managed by the Board which leads and controls, and is collectively responsible for overseeing the business and affairs of the Company, and for the long-term success of the FMI Group. The Management remains accountable to the Board where they are responsible for the day-to-day operations and administration of the Company in accordance with the policies and strategy set by the Board. In support of this, the Board has established a framework of effective risk management that allows it to assess and manage the risks associated with Company's businesses.

The principal functions of the Board include:

a) Providing entrepreneurial leadership, setting strategic objectives and ensuring that the necessary financial and human resources are in place for the Company to meet its objectives;
b) Establishing a framework of prudent and effective controls which enables risks to be assessed and managed, including the safeguarding of shareholders' interests and the Company's assets;
c) Reviewing Management's performance;
d) Identifying the key stakeholder groups and recognizing that their perceptions affect the Company's reputation;
e) Setting the Company's values and standards (including ethical standards);
f) Ensuring that obligations to shareholders and other stakeholders are understood and met; and
g) Considering sustainability issues, such as environmental and social factors, as part of its strategic formulation.

3.4 Regulatory Framework of Corporate Governance for Financial Institutions in Myanmar

This part explains CG regulations from Financial Institutions Law, Five New Directives, and Myanmar Companies Act. Local regulator of Myanmar Banking Sector, the Central Bank of Myanmar (CBM), released regulations for financial institutions in Myanmar to comply. The corporate-governance-related regulations are involved in the new Financial Institutions Law (2016) and the five new directives (2019). Another regulator for companies in Myanmar is Directorate of Investment and Company Administration (DICA), enacted the new Myanmar Companies Law in 2017 and released regulations for Corporate Governance.

3.4.1 Financial Institutions Law (2016)

The new Financial Institutions Law (FIL) was enacted in 25th January 2016 while the democratic government was in place. CBM enacted regulations on related party transaction, board of directors, chief executive, Audit Committee, External Auditors, administratorship, shareholder representation, and the establishment of committees. Although the FIL could not provide a strong regulatory infrastructure on Corporate Governance, it could regulate the basic required standards for financial institutions in Myanmar to comply with, and to be prepared for establishing good Corporate Governance in accordance with the country's development level.

The following corporate-governance-related sections from FIL were referred in this research.

Section 64	Lending to related party
Section 73	Board of Directors
Section 74	Functions, Duties and Powers of the Board
Section 75	Power to Form Committee
Section 76	Fit and Proper Criteria
Section 77	Appointment of Chief Executive and Conditions of Services
Section 78	Disqualification and Removal from Office
Section 79	Disclosure of Interests
Section 80	Liability of Directors and Officers
Section 81	Duty to Maintain Secrecy
Section 82	Exceptions to Duty of Secrecy
Section 83	Further exception to Duty of Secrecy
Section 85	Audit Committee
Section 88	External Auditors
Section 97	Appointment of an Administrator
Section 98	Review of appointment
Section 99	Effect of taking control
Section 100	Remedial actions that can be taken by the Administrator
Section 101	Report of the Administrator
Section 102	Termination of Administratorship
Section 103	Financial Support by Central Bank
Section 105	Shareholder Representations

3.4.2 Five New Directives (2019)

The five new directives were released by CBM on 25th March 2019, as part of the implementation process of FIL. The five new directives include directives on 1) Fit and Proper Criteria, 2) Directors of Banks, 3) External Auditors of Banks, 4) Related Parties, and 5) Acquisition of Substantial Interest. Since the FIL is not sufficient for the complete Corporate Governance structure for banks, the five new directives include more detailed regulatory requirements for banks to comply. They will also be referred in this research as they are directly and/or indirectly related with Corporate Governance framework for banks in Myanmar.

3.4.3 Myanmar Companies Act (1914 and 2017)

Myanmar Companies Act (MCA) was previously enacted in 1914 and the new Myanmar Companies Law was enacted with the democratic government in 2017. The new law was a modernized version of the old MCA, with regulatory framework to govern how a company should be run and managed, in order to align with current practices in other countries. The new law aims to provide more flexibility in company's operation and gets more detailed in governance regime and greater shareholder protections to ensure that their interests are protected. The new law emphasized more on directors' duties with clear guidelines and regulations. The new Companies Law provide much protection for minority shareholders such as key decisions will also need to be approved by minority shareholders, where they will affect the rights of the majority and minority shareholders in particular.

For the purpose of clear implementation of the new law, DICA also released Company Directors Guide. The information in the guide is intended to provide information to companies and their directors which includes: compliance checklist, operating business as a registered company, ownership of a company, managing a company, requirements for companies under the Companies Law, notifying DICA of changes to company details, winding-up a company, and Myanmar Companies Online (MyCO) Registry.

CHAPTER 4

ANALYSIS ON COMPLIANCE OF CORPORATE GOVERNANCE PRACTICES OF YOMA BANK LIMITED

This chapter is structured with research design of the study, demographic profile, and analysis on compliance of Corporate Governance practices of Yoma Bank with five main categories, referred to regulations issued by Central Bank of Myanmar. Categories applied for the analysis are compliance of CG practices by board of directors, compliance of CG practices by senior management, compliance of CG practices by majority shareholders, compliance of CG practices in risk management, and compliance of CG practices by compliance and internal audit teams. This chapter is concluded with comparison on compliance of the overall Corporate Governance practices of Yoma Bank.

4.1 Research Design

In order to analyze the CG practices of Yoma Bank, both primary and secondary data were used and analyzed based on Descriptive Method and Analytical Method. The primary data was collected by face-to-face interview with 7 BOD members, 12 Senior Management members, and 2 Corporate Sectaries. The Likert scale questionnaires used during the interview are attached in appendix. Secondary data was collected by reports, books, internet websites, and relevant researches.

The questionnaire was prepared based on regulations issued by Central Bank of Myanmar (CBM). There are two sections in the questionnaire as section A consists of demographic information of respondents and section B consists of the analysis on compliance of CG practices of Yoma Bank. Section B is classified with five categories: Compliance of CG Practices by Board of Directors, Compliance of CG Practices by Senior Management, Compliance of CG Practices by Majority Shareholders, Compliance of CG Practices in Risk Management, and Compliance of CG Practices by Compliance and Internal Audit Teams.

As Board of Directors, Senior Management, and Corporate Secretary are key stakeholders of Yoma Bank's Corporate Governance, 100% of the key stakeholders were interviewed for the research and can cover the analysis of CG practices of the bank. After primary data collection, the received data were further analyzed by SPSS version 22 and resulted mean value and standard deviations for the analysis.

4.2 Demographic Profile of Respondents

Demographic profile of respondents presents the profiles of relevant CG stakeholders in Yoma Bank, participated in answering the questionnaires. The profiles cover the respondents' gender, age, marital status, educational level, occupational level, and working experience (banking and finance sector experience). All the data received from the questionnaires are interpreted and summarized in frequency distribution and percentage distribution. The frequency analysis of relevant CG stakeholders' demographic data is illustrated through the table of frequency counts and their respective percentage.

4.2.1 No. of Respondents by Gender

The respondents include both males and females and Table 4.1 shows the percentage of male and female, respectively, from the respondents.

Table 4.1

No. of Respondents by Gender

Gender	Frequency	Percentage
Male	7	35
Female	13	65
Total	20	100

Source: Survey data, June 2019

According to Table 4.1, the respondents consists of 7% males and 13% females. Thus, female group is more than male group.

4.2.2 No. of Respondents by Age

There are six classifications in the age of respondents. They are from 30 to 39 years old, from 40 to 49 years old, from 50 to 59 years old, from 60 to 69 years old, from 70 to 79 years old, and over 80 years old.

Table 4.2

No. of Respondents by Age

Age (Years)	Frequency	Percentage
30-39	3	15
40-49	7	35
50-59	6	30
60-69	2	10
70-79	0	0
80+	2	10
Total	20	100

Source: Survey data, June 2019

As shown in Table 4.2, the six classified age has the highest percentage of respondents from 40 to 49 years old with 35%, while the second highest from 50 to 59 years old with 30%. In terms of the lowest percentage of respondents, there is no respondents from 70 to 79 years old while there are only 10% of respondents from 60 to 69 years old and over 80 years old, respectively. There seems to have Senior Management roles in 40 to 49 years old while 60 to 69 years old and over 80 years old are in Board of Directors role.

4.2.3 No. of Respondents by Marital Status

Marital status of respondents are categorized as Single, Married, and others, as presented in Table 4.3.

Table 4.3

No. of Respondents by Marital Status

Marital Status	Frequency	Percentage
Single	6	30
Married	12	60
Others	2	10
Total	20	100

Source: Survey data, June 2019

As per Table 4.3, most of the respondents are married, 60%, while 30% are single, and 10% are others. Others could be either divorced or widowed.

4.2.4 No. of Respondents by Educational Level

Educational level for CG stakeholders can be classified into three groups are Bachelor Degree, Master Degree, and Doctorate.

Table 4.4

No. of Respondents by Educational Level

Educational Level	Frequency	Percentage
Bachelor Degree	9	45
Master Degree	11	55
Doctorate	0	0
Total	20	100

Source: Survey data, June 2019

Table 4.4 shows that there is no Doctorate in the respondents as it is more likely to include experience-based personnel in the CG stakeholders rather than academic qualifications. However, most of the respondents are Master Degree holders with 55% while Bachelor Degree holders are 45% of the total respondents.

4.2.5 No. of Respondents by Occupational Level

As Corporate Governance tasks cannot be performed by every employees within the bank, the key stakeholders directly responsible for CG practices are from the very top level of the hierarchy of Yoma Bank. There are three occupational levels of the respondents, able to perform as key CG stakeholders, namely, Board of Director, Senior Management, and Corporate Secretary.

Table 4.5

No. of Respondents by Occupational Level

Occupational Level	Frequency	Percentage
Board of Director	7	35
Senior Management	11	55
Corporate Secretary	2	10
Total	20	100

Source: Survey data, June 2019

As presented in Table 4.5, there are only three occupational levels, differentiated as Board of Director, Senior Management, and Corporate Secretary. Most of the respondents are Senior Management with 55% while there are 35% of Board of Director and 10% of Corporate Secretary.

4.2.6 No. of Respondents by Working Experience in Banking and Finance Sector

Working experience in Banking and Finance Sector of the respondents are divided into six groups as 1 to 8 years, 9 to 16 years, 17 to 24 years, 25 to 32 years, 33 to 40 years, and 41 years and above.

Table 4.6

No. of Respondents by Working Experience

Working Experience	Frequency	Percentage
1 to 8 years	1	5
9 to 16 years	4	20
17 to 24 years	7	35
25 to 32 years	4	20
33 to 40 years	2	10
41 years and above	2	10
Total	20	100

Source: Survey data, June 2019

According to Table 4.6, most respondents have 17 to 24 years of experience with 35%, 25 to 32 years and 9 to 16 years of working experience are 20% respectively while the lowest 5% of respondents have 1 to 8 years of experience. Therefore, the respondents have strong banking and finance sector experiences and only one respondent has 1 to 8 years of experience from Corporate Secretary group.

4.3 Analysis on Compliance of Corporate Governance Practices of Yoma Bank

The questionnaires are structured with Likert scales and the analysis is made based on the Likert scale ranging from strongly disagree (1) to strongly disagree (5). The questionnaire is classified into five parts: Compliance of CG Practices by Board of Directors, Compliance of CG Practices by Senior Management, Compliance of CG Practices by Majority Shareholders, Compliance of CG Practices in Risk Management, and Compliance of CG Practices by Compliance and Internal Audit Teams. The respondents were asked to provide their rate on each statement during the interviewing survey. The ratings show the compliance level of CG practices within Yoma Bank. The higher scale demonstrates how well the CG practices are complied with CBM regulations and vice versa.

4.3.1 Compliance of CG Practices by Board of Directors

Compliance of CG practices by the Board of Directors is formed with ten questions to determine the compliance of CG practices as the Board of Directors' role. The higher mean score shows the greater compliance that the Board of Directors are practicing and vice versa.

Table 4.7

Compliance of CG Practices by Board of Directors

No.	Statement	Mean	Standard Deviation
1.	Directors of the Board are qualified in accordance with CBM's Fit and Proper Criteria.	4.80	.410
2.	Board of Directors adopt Code of Conduct and Business Ethics as regulated by CBM.	4.85	.489
3.	The Board has an appropriate number of committees as per CBM's FIL.	4.55	.510

4.	Members of the committee are appropriate with their roles as enacted by CBM regulations for committees.	4.85	.366
5.	The bank has full transparency and fairness for all of its stakeholders as suggested by CBM.	4.75	.716
6.	Board of Directors have a right quorum of members as regulated by the CBM.	4.90	.308
7.	Board of Directors are aware of the regulations issued by CBM.	4.80	.523
8.	Board of Directors get involved in establishing the bank's policies and procedures.	4.70	.733
9.	Board of Directors approve the policies and procedures by referring to CBM regulations.	4.90	.308
10.	Board of Directors have a good understanding of the bank's business model and operations.	4.60	.940
Overall Average Value		**4.77**	**.455**

Source: Survey Results, June 2019

According to the results from Table (4.7), the Board of Directors have a right quorum of members as regulated by the CBM and Board of Directors approve the policies and procedures by referring to CBM regulations have the highest scores of 4.90. However, the Board having an appropriate number of committees has the lowest mean score with 4.55 in compliance of CG practices by the Board of Directors. The overall mean for this category is 4.77 and thus, the Board of Directors of Yoma Bank are appropriately in compliance with CBM regulations in CG practices.

4.3.2 Compliance of CG Practices by Senior Management

There are eight questions in this part to evaluate the role of Senior Management in compliance of Corporate Governance practices. The higher score interprets the greater quality of Senior Management in compliance of the CG practices.

Table 4.8

Compliance of CG Practices by Senior Management

No.	Statement	Mean	Standard Deviation
1.	Senior Management have adequate authority to proceed their roles in accordance with CBM regulations.	4.60	.940
2.	Senior Management implement the corporate vision, strategy, and business model approved by the BOD.	4.65	.587
3.	Senior Management members are qualified for their roles as enacted in CBM's Fit and Proper Criteria.	4.80	.523
4.	Senior Management proceed the day-to-day CG practices in accordance with CBM regulations.	4.55	.759
5.	Senior Management understand the regulations issued by CBM.	4.75	.444
6.	As suggested by CBM, Senior Management report internal reporting mechanisms to the Board with timely and accurate information.	4.75	.444
7.	Senior Management assist the Board in establishing the bank's policies and procedures.	4.75	.444
8.	Senior Management have appropriate number of committees as suggested by CBM.	4.30	.470
Overall Average Value		**4.64**	**.469**

Source: Survey Results, June 2019

As per results from Table (4.8), Senior Management members qualified for their roles as enacted in CBM's Fit and Proper Criteria gets the highest mean score of 4.80 while Senior Management having appropriate number of committees as suggested by CBM gets the lowest mean score of 4.30. The overall mean for compliance of CG practices by Senior Management is 4.64, which means that Yoma Bank has a great quality of compliance in CG practices by Senior Management.

4.3.3 Compliance of CG Practices by Majority Shareholders

Eight questions are formed in this part to analyze the compliance of CG practices by Yoma Bank's majority shareholders. The higher mean score expresses the better compliance on CG practices that the majority shareholders have.

Table 4.9

Compliance of CG Practices by Majority Shareholders

No.	Statement	Mean	Standard Deviation
1.	CBM already approved the shareholders with over 5% of the Yoma Bank's total shareholding.	4.85	.366
2.	The majority shareholders have submitted their representatives as the bank's shareholders to CBM.	4.65	.489
3.	The majority shareholders are aware of the regulations issued by CBM.	4.60	.503
4.	The majority shareholders do not have any loans from Yoma Bank, as per CBM's regulation on related party transaction.	4.60	.503
5.	The majority shareholders are aware of the bank's audited financial statements and approve in the AGM, in accordance with CBM regulations.	4.65	.489
6.	The majority shareholders participate in capital contribution whenever there is an increase in Paid-up Capital of the bank.	4.60	.503
7.	The majority shareholders attend the bank's annual general meeting (AGM) regularly.	4.55	.510

8.	The majority shareholders participate in electing the members of the Board.	4.65	.489
Overall Average Value		**4.64**	**.393**

Source: Survey Results, June 2019

The result from Table (4.9) shows that CBM already approved the shareholders with over 5% of the Yoma Bank's total shareholding has the highest mean score with 4.85 while the majority shareholders attend the bank's annual general meeting (AGM) regularly has the lowest mean score with 4.55. The overall mean score of 4.65 interprets that Yoma Bank's majority shareholders are in compliance with CBM regulations of CG practices.

4.3.4 Compliance of CG Practices in Risk Management

Compliance of CG practices in Risk Management is evaluated with a form of ten questions and the higher score means the greater compliance of CG practices in risk management that the bank is applying and vice versa.

Table 4.10

Compliance of CG Practices in Risk Management

No.	Statement	Mean	Standard Deviation
1.	The bank has appropriate risk management policies and procedures in accordance with CBM regulations.	4.75	.444
2.	As enacted by CBM, the bank has Chief Risk Officer (CRO) to perform the risk management functions.	4.70	.470
3.	The bank's CRO is qualified as standardized in CBM's Fit and Proper Criteria.	4.70	.470
4.	The bank's risk management functions are operated in accordance with CBM regulations.	4.70	.470
5.	The bank's risk management reports are submitted regularly to CBM.	4.75	.444

6.	The bank's risk management team are well-educated on CBM regulations and instructions.	4.70	.470
7.	The financial ratios for risk management such as liquidity ratio, loan to deposit ratio, NPL ratio, are in compliance with CBM's minimum limits.	4.70	.470
8.	The bank has adequate recovery function to collect loans, as instructed by CBM.	4.20	.768
9.	The bank has accurate internal and external data to be able to identify, assess, and mitigate risk.	3.75	.716
10.	The bank has sufficient risk management infrastructure to manage operational risk, credit risk, and market risk.	4.60	.503
	Overall Average Value	**4.55**	**.394**

Source: Survey Results, June 2019

According to Table (4.10), the bank having appropriate risk management policies and procedures in accordance with CBM regulations and the bank's risk management reports regularly submitted to CBM are the highest mean scores of 4.75. On the other hand, the bank having accurate internal and external data to be able to identify, assess, and mitigate risk is the lowest mean score of 3.75. The overall mean score, 4.55, evaluates that Yoma Bank has an appropriate risk management function to comply with CBM regulations in CG practices.

4.3.5 Compliance of CG Practices by Compliance and Internal Audit Teams

There are eight questions formed to evaluate the compliance of CG practices by the compliance team and internal audit team of Yoma Bank. The higher score proves the better compliance of CG practices by compliance and internal audit teams and vice versa.

Table 4.11

Compliance of CG Practices by Compliance and Internal Audit Teams

No.	Statement	Mean	Standard Deviation
1.	The bank's Chief Compliance Officer (CCO) is qualified to meet the Fit and Proper Criteria, enacted by CBM.	4.70	.470
2.	The bank has appropriate compliance policies and procedures in accordance with CBM regulations.	4.70	.470
3.	The bank has enacted AML/CFT policies as instructed by CBM.	4.65	.489
4.	Compliance team of Yoma Bank have received adequate training on CBM regulations.	4.75	.444
5.	The bank's Internal Auditor is independent from reporting line, as instructed by CBM.	4.65	.745
6.	The bank's Internal Auditor has regular report to Audit Committee, as per CBM regulation.	4.60	.754
7.	The bank's Chief Audit Officer (CAO) is qualified in accordance with CBM's Fit and Proper Criteria.	4.65	.745
8.	Internal Audit's findings are reported regularly to CBM.	4.55	.759
Overall Average Value		**4.65**	**.469**

Source: Survey Results, June 2019

As the results from Table (4.11), Compliance team of Yoma Bank have received adequate training on CBM regulations has the highest mean score of 4.75 while Internal Audit's findings are reported regularly to CBM has the lowest mean score of 4.55. The overall mean score is 4.65 and thus, Yoma Bank's Compliance and Internal Audit functions are in compliance with CBM regulations on CG practices.

4.4 Comparison on Compliance of Corporate Governance Practices of Yoma Bank

The analysis of the CG practices of Yoma Bank is based on the questions classified with five categories namely, Compliance of CG Practices by Board of Directors, Compliance of CG Practices by Senior Management, Compliance of CG Practices by Majority Shareholders, Compliance of CG Practices in Risk Management, and Compliance of CG Practices by Compliance and Internal Audit Teams. Table (4.12) shows the comparison on compliance of CG Practices of Yoma Bank based on the overall average values and standard deviations of the five categories.

Table 4.12

Comparison on Compliance of CG Practices of Yoma Bank

No.	Description	Mean	Standard Deviation
1.	Compliance of CG Practices by Board of Directors	4.77	.455
2.	Compliance of CG Practices by Senior Management	4.64	.469
3.	Compliance of CG Practices by Majority Shareholders	4.64	.393
4.	Compliance of CG Practices in Risk Management	4.55	.394
5.	Compliance of CG Practices by Compliance and Internal Audit Teams	4.65	.469

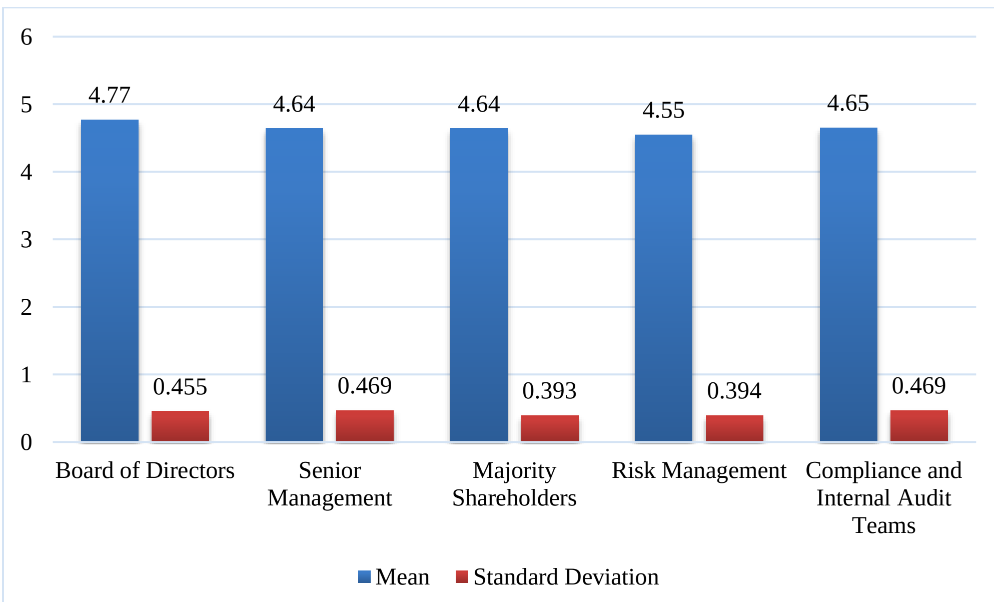
Source: Survey Results, June 2019

As presented in Table (4.12), compliance of CG practices by Board of Directors has the highest overall mean score of 4.77 and compliance of CG practices in Risk Management has the lowest overall mean score of 4.55. All the mean scores are between 4.55 and 4.77, and overall standard deviations are between .393 and .469. Therefore, it is analyzed that Yoma Bank has a great compliance of Corporate Governance practices to CBM regulations and the compliance of CG practices by the Board of Directors is the most compliance role of the overall CG practices of Yoma Bank. Compliance of CG practices by Compliance and Internal Audit teams stand the second strongest part of the bank's CG practices with overall mean score 4.65 while compliance of CG practices by Senior Management and compliance of CG practices by Majority Shareholders have the third highest overall mean score of 4.64. The Risk Management is more likely to be evaluated as the weakest part of the bank's CG practices to comply with CBM regulations.

Figure (4.1) shows the comparison of overall average values and standard deviations of the results in analyzing the compliance of CG practices of Yoma Bank.

Figure 4.1

Comparison on Compliance of CG Practices of Yoma Bank



Source: Survey Results, June 2019

As shown in Figure (4.1), each category has not much differences in overall mean and standard deviations. Each of the overall scores seems to be stable between 4.55 and 4.77, and .393 and .469. There is no oddly different score compared from other categories. The bank seems to have a sound CG practices that are in compliance with CBM regulations.

CHAPTER 5

CONCLUSION

This chapter is the last chapter of the study as well as conclusion. Findings, suggestions, and limitation and needs for further studies are presented in this chapter.

5.1 Findings

Based on the analysis results, the majority of respondents are male and within the age group of 40 – 49 years old. Most of them are married. 55% of respondents are Master Degree holders while 45% hold Bachelor Degree. Majority are Senior Management levels with 55% while 35% are Board of Directors and 10% are Corporate Secretary roles. In terms of working experience, majority respondents have 17 to 24 years of Banking and Finance sector experiences. The majority working experience shows that the bank has hired a well-experienced, not too conservative type of CG stakeholders. The ages are matured enough, but not too old to perform hard-works for the bank and have a diverse group of ages among the CG stakeholders.

It was found that the Board of Directors are the most compliance in CG practices with CBM regulations since the Board of Directors adopt Code of Conduct and Business Ethics, the Board has appropriate number of committees instructed by CBM, the Board of Directors have adequate qualifications as per CBM's Fit and Proper Criteria, the Board of Directors have regulatory awareness on CBM's regulations, and the Board of Directors perform their roles and responsibilities as instructed by CBM. The bank also has full transparency and fairness for its stakeholders.

The study was observed that Yoma Bank has well-complied CG practices from the Senior Management role. Senior Management members are qualified enough for their roles, as regulated by CBM's Fit and Proper Criteria Directive. The Senior Management also have an appropriate number of committees instructed by CBM. Senior Management have adequate authority to proceed their roles in accordance with CBM regulations. The Senior Management implement the corporate vision, strategy, and business model approved by the BOD. Also, Senior Management proceed the day-to-day CG practices in accordance with CBM regulations. They understand the CBM regulations well-enough and report internal reporting mechanisms to the Board with timely and accurate information, as CBM has suggested. Senior Management also assist the Board in establishing the bank's policies and procedures.

The Majority Shareholders of Yoma Bank are in compliance with CBM regulations well-enough on CG practices. The majority shareholders with over 5% ownership of Yoma Bank's total shareholding were already approved by CBM and they already submitted their representatives as the bank's shareholders to CBM. The majority shareholders of Yoma Bank are adequately aware of the CBM regulations and they are also in compliance with related party transaction since they do not have any loans from Yoma Bank. As the role of shareholders, they attend the bank's Annual General Meetings (AGM) regularly and approve the bank's audited financial statements. They also participate in capital contribution whenever there is an increase in Paid-up Capital of the bank. As the majority shareholders, they also participate in election of the Board of Directors.

The analysis shows that CG practices in risk management function is sufficiently comply with CBM regulations and instructions. The bank has appropriate risk management policies and procedures in accordance with CBM regulations. The bank also has Chief Risk Officer (CRO) to perform the risk management function as enacted by CBM. The CRO is also qualified for her role as standardized by CBM in accordance with Fit and Proper Criteria. The bank's risk management functions are operated in accordance with CBM regulations and the risk management reports are submitted regularly to CBM. The bank's risk management team are well-educated on CBM regulations and instructions. The financial ratios for risk management such as liquidity ratio, loan to deposit ratio, NPL ratio, are in compliance with CBM's minimum limits. The bank has adequate recovery function to collect loans, as instructed by CBM. The bank has sufficient risk management infrastructure to manage operational risk, credit risk, and market risk. However, the bank has a slightly poor accurate internal and external data to be able to identify, assess, and mitigate risk, compared with all other practices. Apart from that, Yoma Bank has sufficient compliance on CG practices in risk management.

In terms of the analysis under compliance of CG practices by Compliance and Internal Audit teams, the bank has appointed Chief Compliance Officer (CCO) to lead the compliance function and the CCO is qualified to meet the Fit and Proper Criteria, enacted by CBM. The bank has enacted appropriate compliance policies and procedures in accordance with CBM regulations. The bank has enacted Anit-Money Laundering and Combating the Financing Terrorism (AML/CFT) policies as instructed by CBM. Compliance team of Yoma Bank have received adequate training on CBM regulations. Yoma Bank's Internal Auditor is independent from reporting line, as instructed by CBM. The bank's Internal Auditor has regular report to Audit Committee, as per CBM regulation. The bank's Chief Audit Offier (CAO) is qualified in accordance with CBM's Fit and Proper Criteria. Internal Audit's findings are reported regularly to CBM. CG practices by Compliance and Internal Audit teams are satisfactorily in compliance with CBM regulations and instructions.

5.2 Suggestions

Based on the findings, compliance of CG practices in risk management is the least compliance part of Yoma Bank's CG practices even though it is in compliance with basic regulatory requirements instructed by CBM. Risk management is the most important part of the bank's sustainable development and thus, it should be carefully managed and fix the weaknesses found, immediately. The bank should be more careful with the customer due diligence and credit analysis, which needs accurate and actual information.

The compliance of CG practices should be closely monitored by the Senior Management as CG is the foundation of the bank's risk management framework. There are several risks that the banks have to be prepared to manage and thus information is the most important resource to forecast, analyze, and prepare for the risk management practices. Therefore, Yoma Bank needs to discover better approaches to get accurate internal and external data to be able to identify, assess, and mitigate risks and follow the CBM instructions more in Risk Management function.

In terms of findings on compliance of overall CG practices, Yoma Bank has a fairly strong Corporate Governance practices that are well complied with CBM regulations and to make it better, the banks should composite additional board committees such as Remuneration/ Compensation Committee, and Nomination Committee, as enacted by CBM's Financial Institutions Law. There should also be Remuneration Policy enacted in the CG policies as CBM has suggested. The bank's policies should also be reviewed annually and amend to align with CBM's updated regulations such as maximum terms of External Auditors and BOD members.

5.3 Limitation and Needs for Further Studies

The study is only enclosed with reference of CG Policy Manual, CBM regulations, and Basel Committee's CG principles for banks. Some detailed information are confidential and cannot be possible to present in this paper. In addition, according to the limited timeframe, the interview was only done with primary CG stakeholders, who are directly responsible for compliance of CG practices. The study will be more effective if there is a chance to interview and study from perspectives of CBM's regulators, External Auditor, and the bank's CG expert consultant. There are some limitations as the strategic planning processes are confidential and some details are unable to disclose in the study. Further study about the bank's Corporate Governance is to study the implementation of the CG transformation journey, and its processing. The strategic development process is also interesting to do in the further study.

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APPENDIX

Yangon University of Economics

Department of Commerce

Master of Banking and Finance Programme

Questionnaire for Analysis on Compliance of Corporate Governance Practices of Yoma Bank Limited

Objective

The primary objective of this survey is to analyze the compliance of Corporate Governance practices of Yoma Bank based on CBM regulations. The following questionnaires intend to be completed by Corporate Governance stakeholders of Yoma Bank Limited.

I. Demographic Information of Respondents (Please mark [√])

1. Gender

   ☐ Male ☐ Female

2. Age (Years)

   ☐ 30-39 ☐ 40-49 ☐ 50-59 ☐ 60-69 ☐ 70-79 ☐ 80+

3. Marital status

   ☐ Single ☐ Married ☐ Others

4. Educational level

   ☐ Bachelor Degree ☐ Master Degree ☐ Doctorate

5. Occupational level

   ☐ Board of Director ☐ Senior Management ☐ Corporate Secretary

6. Working Experience (Banking and Finance sector experience)

   ☐ 1 to 8 years ☐ 9 to 16 years ☐ 17 to 24 years ☐ 25 to 32 years
   ☐ 33 to 40 years ☐ 41 years and above

II. Analysis on Compliance of Corporate Governance Practices of Yoma Bank

Please mark [√] on the most appropriate scale on whether you (1) Strongly Disagree, (2) Disagree, (3) Neutral, (4) Agree, or (5) Strongly Agree with the following statements.

Compliance of CG Practices by Board of Directors						
No	**Description**	**1**	**2**	**3**	**4**	**5**
1	Directors of the Board are qualified in accordance with CBM's Fit and Proper Criteria.					
2	Board of Directors adopt Code of Conduct and Business Ethics as regulated by CBM.					
3	The Board has an appropriate number of committees as per CBM's FIL.					
4	Members of the committee are appropriate with their roles as enacted by CBM regulations for committees.					
5	The bank has full transparency and fairness for all of its stakeholders as suggested by CBM.					
6	Board of Directors have a right quorum of members as regulated by the CBM.					
7	Board of Directors are aware of the regulations issued by CBM.					
8	Board of Directors get involved in establishing the bank's policies and procedures.					
9	Board of Directors approve the policies and procedures by referring to CBM regulations.					
10	Board of Directors have a good understanding of the bank's business model and operations.					

Compliance of CG Practices by Senior Management						
No	**Description**	**1**	**2**	**3**	**4**	**5**
1	Senior Management have adequate authority to proceed their roles in accordance with CBM regulations.					
2	Senior Management implement the corporate vision, strategy, and business model approved by the BOD.					
3	Senior Management members are qualified for their roles as enacted in CBM's Fit and Proper Criteria.					
4	Senior Management proceed the day-to-day CG practices in accordance with CBM regulations.					
5	Senior Management understand the regulations issued by CBM.					
6	As suggested by CBM, Senior Management report internal reporting mechanisms to the Board with timely and accurate information.					
7	Senior Management assist the Board in establishing the bank's policies and procedures.					
8	Senior Management have appropriate number of committees as suggested by CBM.					

Compliance of CG Practices by Majority Shareholders						
No	**Description**	**1**	**2**	**3**	**4**	**5**
1	CBM already approved the shareholders with over 5% of the Yoma Bank's total shareholding.					
2	Majority shareholders have submitted their representatives as the bank's shareholders to CBM.					
3	Majority shareholders are aware of the regulations issued by CBM.					

4	Majority shareholders do not have any loans from Yoma Bank, as per CBM's regulation on related party transaction.					
5	Majority shareholders are aware of the bank's audited financial statements and approve in the AGM, in accordance with CBM regulations.					
6	Majority shareholders participate in capital contribution whenever there is an increase in Paid-up Capital of the bank.					
7	Majority shareholders attend the bank's annual general meeting (AGM) regularly.					
8	Majority shareholders participate in electing the members of the Board.					

Compliance of CG Practices in Risk Management						
No	**Description**	**1**	**2**	**3**	**4**	**5**
1	The bank has appropriate risk management policies and procedures in accordance with CBM regulations.					
2	As enacted by CBM, the bank has Chief Risk Officer (CRO) to perform the risk management functions.					
3	The bank's CRO is qualified as standardized in CBM's Fit and Proper Criteria.					
4	The bank's risk management functions are operated in accordance with CBM regulations.					
5	The bank's risk management reports are submitted regularly to CBM.					
6	The bank's risk management team are well-educated on CBM regulations and instructions.					

7	The financial ratios for risk management such as liquidity ratio, loan to deposit ratio, NPL ratio, are in compliance with CBM's minimum limits.					
8	The bank has adequate recovery function to collect loans, as instructed by CBM.					
9	The bank has accurate internal and external data to be able to identify, assess, and mitigate risk.					
10	The bank has sufficient risk management infrastructure to manage operational risk, credit risk, and market risk.					

Compliance of CG Practices by Compliance and Internal Audit Teams						
No	**Description**	**1**	**2**	**3**	**4**	**5**
1	The bank's Chief Compliance Officer (CCO) is qualified to meet the Fit and Proper Criteria, enacted by CBM.					
2	The bank has appropriate compliance policies and procedures in accordance with CBM regulations.					
3	The bank has enacted AML/CFT policies as instructed by CBM.					
4	Compliance team of Yoma Bank have received adequate training on CBM regulations.					
5	The bank's Internal Auditor is independent from reporting line, as instructed by CBM.					
6	The bank's Internal Auditor has regular report to Audit Committee, as per CBM regulations.					
7	The bank's Chief Audit Officer (CAO) is qualified in accordance with CBM's Fit and Proper Criteria.					
8	Internal Audit's findings are reported regularly to CBM.					