



Corporate Board Elections and Internal Controls



27th September 2005
Federal Reserve Bank of New York

A free all-day conference co-sponsored by the American Law Institute and the European Corporate Governance Institute

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Welcome remarks by Thomas C. Baxter, Jr., General Counsel and Executive Vice President, Federal Reserve Bank of New York

Good morning, I'm Tom Baxter, General Counsel and Executive Vice President of the Federal Reserve Bank of New York. The New York Fed is very pleased to welcome all of you to this important conference and to provide a venue to the sponsoring organizations, The American Law Institute and the European Corporate Governance Institute.

A core mission of the Central Bank is to promote financial stability. Financial institutions, of course, play a key role in the work we do, and we're keenly interested in the way in which those institutions are governed. In July of 2005, for example, the Basel Committee on Banking Supervision published a consultative paper titled "Enhancing Corporate Governance for Banking Organizations." In this paper, the Basel Committee emphasized the importance of the board of directors in looking to see that a sound system of oversight and control exists in the banking organization and that risk-management procedures in the organization are appropriate in relation to its risk profile. Of course, such basic prudential guidance assumes a board of directors of quality and competence.

Today's conference is important because it considers the selection process for this critical group of people. In the United States, the direct connection between governance failure and the failure of financial institutions was experienced more than 15 years ago. As a result of hard lessons learned, Congress required many governance changes for banking organizations in the Federal Deposit Insurance Corporation Improvement Act. More recently, after a series of scandals in non-banking organizations, many of the ideas from our federal banking law were incorporated into Sarbanes-Oxley.

The New York Fed is delighted today to welcome back our past president, William McDonough, who will be a keynote speaker this morning. Mr. McDonough has consistently emphasized the importance of a quality board, here at the Fed and in his capacity as Chairman of the PCAOB [Public Company Accounting Oversight Board]. Today's conference is also remarkable for its international scope. The depth and experience of those joining us from non-U.S. legal systems is wonderful and, in my opinion, an all-too-rare component of the discussion of board elections and internal controls. I hope you enjoy the rich program that our conference sponsors have developed and, with all of you, I look forward to hearing from our distinguished speakers and panelists.

I welcome you again, and now pass the podium over to Michael Traynor, from The American Law Institute, and Antonio Borges, Chairman of the European Corporate Governance Institute. Thank you for coming, welcome to all.