



Corporate Governance Charter of the Luxembourg Institute for Global Financial Integrity

As any organization committed to ethical standards and the principles of integrity, the Luxembourg Institute for Global Financial integrity (LIGFI) has taken the commitment to establish, update and fully abide by a Corporate Governance Charter. The charter is based on the international principles of the OECD and the European Commission, as well as on those of the Luxembourg Stock Exchange.

The Institute's corporate governance is initially based on the LIGFI's Statutes, which are subject to Luxembourg Law, and then on general principles of ethics, integrity and sound management and oversight in the best interests of the Luxembourg Institute for Global Financial integrity and the general interests of its members, partners and other stakeholders. Corporate governance per se constitutes a body of rules and recommendations that need to facilitate the balanced exercise of entrepreneurship, power, compliance, and control while encouraging dialogue and transparency. LIGFI's Corporate Governance Charter seeks to establish ethical conduct that is strong, practical and effective in the management of the Institute.



Corporate Governance of the Luxembourg Institute for Global Financial Integrity		
The General Corporate Governance Framework	LIGFI's Corporate Governance complies with its Statutes, published in the Official Record of the Grand Duchy of Luxembourg (Mémorial) on the 12th of May 2009 (C-No 984, pp. 47204-17), and with all the prevailing applicable Luxembourg laws and regulations.	
	LIGFI's Corporate Governance is managed under the rules of governance that constitute its Corporate Governance Charter.	
	The rules of LIGFI Corporate Governance are dictated by sound ethical conduct and the principles of integrity, these being fairness, transparency, responsibility and accountability.	
	The LIGFI Corporate Governance Charter is based on the general principles of corporate governance recommended by the OECD, the EC and the Luxembourg Stock Exchange. They consist of three sets of rules, namely: (1) general principles of compliance, (2) recommendations involving either compliance or explanation, and (3) guidelines providing advice on implementation or interpretation of recommendations.	
	The purpose of LIGFI pursuing sound corporate governance is to ensure the proper balance between entrepreneurship, performance, monitoring and control, with robust control systems operative, potential conflicts of interest managed and abuses of power prevented.	
The Principles of LIGFI Corporate Governance	1	LIGFI respects a clear corporate governance framework, based on the principles of integrity, which provides outstanding disclosure and open dialogue with its members and other stakeholders.
	2	The LIGFI Board of Directors is responsible and accountable for the management and oversight of the Institute, acting in the best interests of the Institute and protecting the general interests of its members and other stakeholders. The Board functions, as a collective body, in an effective and well-informed manner.
	3	The composition of the Board of Directors is balanced so as to enable it to take effective and well-informed decisions. Special committees, called Working Groups, are set up to ensure that the Board fulfils properly its duties.
	4	LIGFI maintains a formal procedure for the appointment of its Directors of the Board, its members of the Executive Committee and its Executive Director.
	5	The Directors of the Board take decisions in the best interests of LIGFI and refrain from taking part in any deliberation or decision that creates a conflict between their personal interests and those of the Institute.
	6	The Board of Directors regularly evaluates its performance and its relationship with the Executive Director and executive management of the Institute.
	7	The Board of Directors maintains an effective structure of executive management of the Institute, for which the Executive Director is responsible and accountable. The Board of Directors clearly defines the duties of the Executive Director, to whom executive management falls, and delegates to him the necessary powers for his proper discharge of duties.
	8	LIGFI secures the services of Directors of the Board and an Executive Director who are recognized as being both highly competent and experienced. Directors are not remunerated. The Executive Director is remunerated based on a remuneration policy that is competitive and compatible with the long-term interests of the Institute.
	9	The Board of Directors establishes strict rules designed to protect the Institute's interests in the areas of internal control, risk management, compliance and financial reporting based on the principles of integrity.
	10	LIGFI respects the rights of its members and other stakeholders. The Board ensures they all receive equitable treatment based on the principles of integrity. LIGFI maintains, with its members and other stakeholders, an active policy of communication based on open dialogue.

Figure 1



Corporate Governance of the Luxembourg Institute for Global Financial Integrity	
1	Corporate Governance Framework
	<p>The Corporate Governance Framework of LIGFI is set forth in its Statutes, whereby the Institute is a non-profit organization (association sans but lucratif - a.s.b.l.) subject to the laws and regulations of the Grand Duchy of Luxembourg. The Statutes are posted on the Institute's website and updated as amended.</p> <p>LIGFI is an association whose members are private firms and organizations, as well as public agencies and institutions, that are engaged in activities with ties to the financial sector. Professionally qualified individual persons involved in the financial sector may join as individual members. All members commit themselves to fully support and promote the Institute in its activities worldwide.</p> <p>LIGFI engages in partnerships with private and public bodies to support and promote its activities worldwide.</p> <p>LIGFI serves as a Center of Excellence and Forum for its members on the Four Core Areas that primarily affect the global financial sector, namely: (1) regulation, oversight and enforcement of such regulation, (2) compliance, governance and social responsibility, (3) money laundering, and (4) funding of bribes, terrorism and organized crime. In so doing, the Institute engages in empirical research with its members and partners and in organizing events.</p> <p>With and through its members and partners in open dialogue, the Institute addresses business conduct and practices within the global financial sector, national financial centers and jurisdictions with a view to supporting and promoting professional excellence, ethics and integrity. LIGFI proposes to develop and maintain with its members an Ethical Code of Conduct of the global financial sector.</p> <p>Members contribute to the Institute's empirical research through Work Committees and their Taskforces on specific issues affecting the global financial sector, national financial centers and jurisdictions. The reports and their recommendations resulting from empirical research by Taskforces, supported by the Institute's research staff, serve to support and promote, within the global financial sector, national financial centers and jurisdictions changes in business conduct and practices based on ethics and the principles of integrity.</p> <p>The Board of Directors is responsible and accountable for overall management, oversight and control of LIGFI through its Executive Committee, which may include LIGFI members who are not on the Board. The Board entrusts executive management of the Institute to an Executive Director.</p> <p>The LIGFI Corporate Governance Charter shall be continually amended to reflect changing internal and external circumstances. It shall be posted on the Institute's website as updated and be detailed in the LIGFI's Annual Report for approval by members at the Annual General Meeting.</p>
2	Duties of the Board of Directors
	<p>The Board of Directors is a collective body bound by its fiduciary duty to LIGFI and its members. The Board applies the highest ethical standards based on the principles of integrity and considers the best interests of the Institute, its members and other stakeholders.</p> <p>Directors are approved by the Institute's members at the Annual General Meeting. They undertake to devote the necessary time and attention to their duties so as to be able to discharge properly their duties. Directors act on a fully-informed basis, in good faith, and with due diligence. Their profiles are posted on the LIGFI website.</p> <p>The Board of Directors is composed of executive and non-executive members. Executive directors make up the Executive Committee whose primary functions, under the responsibility of its President, are to exercise oversight on the executive management of the Institute and to form Special Committees, called Working Groups, on an ad hoc and typically temporary basis to address specific issues as they arise and require particular attention. The Executive Committee appoints the Executive Director responsible and accountable for executive management.</p> <p>Working Groups may include members other than Directors and non-members of the Institute. Their composition and activities are posted on the LIGFI website.</p> <p>The Chairman is responsible for the preparation of the Agenda of the Board meeting in consultation with the Executive Director. He is seconded by the Secretary of the Board. The Chairman ensures that the procedures for the preparation of Board meetings, deliberations, decision-making, and the implementation of decisions are correctly undertaken. His role is additionally to take all necessary steps to create a climate of trust within the Board, thus contributing to open dialogue, constructive expression of differences of opinion and full support for decisions taken. The Chairman ensures that the Minutes of the Board Meeting are factual and record deliberations, resolutions and decisions reached. The approved Minutes are signed by the Chairman and Secretary and posted on the LIGFI's website.</p> <p>As an Honorary Member of the Institute, the Vice-Chairman's role shall be that of a non-executive and Independent Director. (See the following Principle 3 on the Composition of the Board of Directors and Special Committees (called Working Groups) pertaining to independent directors.) The Vice-Chairman shall be an internationally recognized personality of the highest level of integrity with extensive experience in the global financial sector.</p> <p>The Board's responsibilities include: (1) setting LIGFI policies, strategies, and objectives, (2) reviewing and guiding budgets, business plans and action plans, and monitoring their performance and effectiveness, (3) approving and overseeing major expenditures and investments, (4) compensating and monitoring the performance of the Executive Director, (5) ensuring formal and transparent board nominations and election processes (6) monitoring and managing conflicts of interest and preventing abuses of power, (6) ensuring the integrity of LIGFI's accounting, financial, internal control, compliance, and risk management reporting systems and (7) overseeing the Institute's process of disclosure and communication. The Board of Directors shall refer to the Board of Regents for direction and advice on the Institute's mission and its ties to policies, objectives and strategies.</p>

Figure 2



Corporate Governance of the Luxembourg Institute for Global Financial Integrity		
3	Composition of the Board of Directors & Special Committees	<p>The Board of Directors is composed of a variety of persons, providing complementary and extensive experience, knowledge and knowhow. To facilitate effective deliberations and decision-making, the Board presently numbers nine persons, with the proposed increase to ten to make room for the Vice-Chairman currently sought. The size of the LIGFI Board is well within the maximum number of 16 Directors, which is considered to a reasonable limit for the Board to be able to function effectively and without undue disruptions due to changes in its composition. (See the Ten Principles of Corporate Governance of the Luxembourg Stock Exchange, April 2006.)</p> <p>The nine-member Board is presently composed of three non-executive Directors and six executive Directors. The non-executive Directors meet the general independent director criteria laid out in Appendix II (Profile of non-executive and supervisory directors) of the EC Recommendation of 15 February 2005 on the role of non-executive directors. With the addition of a slot for the Vice-Chairman, the number of non-executive and independent directors will rise to four out of ten members of the Board.</p> <p>Directors are approved by the Institute's members at the Annual General Meeting. They undertake to devote the necessary time and attention to their duties so as to be able to discharge them properly. Directors act on a fully-informed basis, in good faith, and with due diligence. Their profiles are posted on the LIGFI website.</p> <p>The Board has presently established three ad hoc Working Groups, namely Administrative Matters, Recruitment and Funding and Communication & Events. No more than four Directors can constitute a given special committee, but may call upon members and non-members to provide expertise, advice and support. Their role is to address special issues and topics on behalf of the Board. The composition and activities of the Working Groups are posted on the LIGFI website.</p>
4	Appointment of Directors and Executive Managers	<p>With the start of the search for a non-executive and independent director to fill the position of Vice-Chairman and the search planned to start in the first quarter of 2010 to hire Senior Research Fellows to staff the Department of Research and Advisory Services of LIGFI, the Board is constituting a four-member Nomination Committee among its members. The Board will set internal regulations of the committee.</p> <p>The Nomination Committee shall be called upon to establish selection criteria, including required skills, knowledge and experience of the candidates, a recruitment action plan, and nomination procedures. The committee will be chaired by the Chairman of the Board and include the President of the Executive and at least one non-executive Director other than the Chairman. The President of the Executive Committee, in his capacity of Executive Director, will manage the recruitment action plan and nominal procedures for the Vice-Chairman and the senior research fellows.</p>
5	Conflicts of Interest	<p>Each Director has the obligation to inform the Board on any conflict of interest that arises and refrain from taking part in any Board deliberation and decision that creates a conflict of interest between his personal interests and those of LIGFI. Any abstention from a vote as a result of a conflict of interest shall be noted in the Minutes of the Board Meeting and appropriately disclosed.</p> <p>Each Director is required to inform the Chairman of the Board of Directors of any directorship, office or responsibility that he takes up outside the Institute and that has the potential to constitute a conflict of interest.</p>
6	Evaluation of the performance of the Board	<p>The Board of Directors shall evaluate every quarter its performance and its relationship with the Executive Director. A similar evaluation of performance should be carried out by Working Groups and other special committees (e.g. the Nomination Committee).</p> <p>The Board must likewise examine its composition, organization and effectiveness as a collective body. The Board of Directors can draw conclusions from its overall evaluation and, where necessary, take appropriate steps and actions to improve its performance.</p>
7	Management Structure	<p>By March 2010, the Board of Directors shall establish organization and operational principles to govern executive management of LIGFI, including the responsibilities, obligations and powers of the Executive Director, who is responsible and accountable for executive management. The Board shall grant the Executive Director the appropriate and necessary powers enabling him to fulfill his responsibilities and obligations. The Board shall further establish procedures for evaluating and examining the performance of the Executive Director and executive management as a whole.</p> <p>The Executive Director shall develop the organization and operational principles as well as procedures for evaluating and examining his performance and that of executive management as a whole under the guidance and with the assistance and support of the Working Group on Administrative Matters, Recruitment and Funding and other Board members and non-members where appropriate.</p> <p>The Executive Director is (1) responsible and accountable for day-to-day operations (daily management) of the Institute, (2) participates in the preparation of decisions taken by the Board, (3) supplies the Board of Directors with all information necessary for the discharge of the Board's obligations and duties in a timely fashion, (4) accounts regularly to the Board for the discharge of his responsibilities, (5) is responsible for preparing complete, timely and accurate financial, budget, action plan and business plan reports in accordance with the policies and standards of the Institute, and (6) establishes processes and systems for financial reporting, internal control, compliance and risk management and the monitoring of risk of LIGFI.</p>

Figure 3



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8	<p>Remuneration Policy</p> <p>The Working Group on Administrative Matters, Recruitment and Funding additionally functions as a human resource and remuneration committee. It assists the Board through proposals in formulating a remuneration policy for the Executive Director and senior staff hired by LIGFI. The Board of Directors defines the special committee's internal regulations. The Executive Director is by principle invited to meetings of the Administration Working Group on remuneration and related matters.</p> <p>The Board ensures that the Working Group on Administrative Matters, Recruitment and Funding has access to the expertise and skills required to fulfill effectively its role on remuneration. It may seek assistance from outside experts specialising in human resource and remuneration policies.</p> <p>The Board of Directors establishes formal remuneration procedures based on the principles of integrity, namely fairness and transparency. LIGFI's remuneration policy, as established by the Board, is disclosed.</p> <p>Prior to the end of the accounting year, the Working Group on Administrative Matters, Recruitment and Funding is called upon to make an annual performance review of the Executive Director, executive management and senior staff based on annual performance evaluation reports. The Executive Director assists and discusses performance reviews with the special committee in its performance review process. A report with proposals and recommendations is submitted to the Board of Directors for the Board Meeting marking the end of the accounting year.</p> <p>In accordance with recommendations in internationally recognized corporate governance principles, the Working Group on Administrative Matters, Recruitment and Funding is chaired by the Chairman of the Board at LIGFI. The Chairman of the Working Group on Administrative Matters, Recruitment and Funding is responsible for the preparation of the minutes of the meetings on remuneration. They are reviewed and approved by the other special committee members prior to being submitted to the Board of Directors.</p>
9	<p>Financial Reporting, Internal Control, Compliance & Risk Management</p> <p>The Executive Committee Member with Audit Oversight assists the Board of Directors in the discharge of its responsibilities in the areas of financial reporting, internal control, compliance and risk management .</p> <p>The Board of Directors approves the services and remuneration of the external auditor, who may or may not be a member of LIGFI, upon the recommendation of the Executive Committee Member with Audit Oversight. The Board holds bi-annual meetings with the external auditor to discuss issues related to financial reporting, internal control, compliance and risk management.</p> <p>With the Executive Director of the Institute, the Executive Committee Member with Audit Oversight assists the Board in reviewing the financial reporting, internal control, compliance and risk management systems for performance and effectiveness with in particular a view to ensure the reliability and integrity of the financial information and that the key risks are properly and correctly identified, managed and disclosed.</p>
10	<p>Members, Partners & Other Stakeholders</p> <p>LIGFI ensures that members, partners and other stakeholders receive equitable treatment through active communication based especially on access to the LIGFI website that provides relevant information enabling them to exercise their rights and to engage the Institute in an open dialogue on issues pertaining to their own specific interests and rights and to the Institute's actions and activities.</p> <p>The LIGFI website constitutes a virtual world of the global financial sector, by bringing together members, partners and other stakeholders who will be located around the world. The LIGFI website constitutes the one most critical activity to the success of the Institute. It is designed and continually being developed to hold a public area including a blog, a membership services area and a work area in which members and partners can fully contribute to the Institute's empirical research and engage in open dialogue on specific issues affecting the global financial sector, national financial centers and jurisdictions.</p> <p>Ongoing relations with members and partners are maintained through their participation in the work of the Institute in Work Committees and Taskforces, through their participation in events organized by LIGFI and otherwise through support and promotion activities provided by members, partners and other stakeholders to the Institute.</p> <p>The Annual General Meeting provides the essential opportunity of physically bringing together members of the Institute from around the world so as to allow them to fully exercise their rights and engage face-to-face in a dialogue with the Board. The LIGFI website can serve here as a highly important support for encouraging members to participate in the Annual General Meeting, explaining their rights and the procedures for voting in absentia, and providing all relevant information on the Annual General Meeting and its agenda, including background materials, forms and related materials.</p>

Figure 4