This chapter assesses how regulation addresses sub-optimal internal organisation and governance at banks in order to change behaviour. The Basel Committee defines the role of internal control at banks to be for three purposes: to assist in achieving profitability and performance, to ensure the reliability and integrity of financial information relating to the bank, and to assist in external compliance with regulations. Meanwhile, corporate governance may be defined as ‘a system by which companies are directed or controlled’. As a framework for determining exercise of power, decision-making, and accountability, corporate governance is important in the shaping of an overall organisational culture. The chapter also considers the regulation of bankers’ remuneration. Although such regulation affects bankers individually, there are aspects of ‘collective’ policy in remuneration regulation that seek to control organisational
12. Regulating the governance, structures, and incentives at banks

freedom in giving rewards, as well as aspects that affect individual incentives.

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