

Question No 01

Seven Characteristics of Governance

1. Discipline

Corporate discipline is a commitment by a company's senior management to adhere to behavior that is universally recognized and accepted to be correct and proper. This encompasses a company's awareness of, and commitment to, the underlying principles of good governance, particularly at senior management level.

"All involved parties will have a commitment to adhere to procedures, processes, and authority structures established by the organization."

2. Transparency

Transparency is the ease with which an outsider is able to make meaningful analysis of a company's actions, its economic fundamentals and the non-financial aspects pertinent to that business. This is a measure of how good management is at making necessary information available in a candid, accurate and timely manner – not only the audit data but also general reports and press releases. It reflects whether or not investors obtain a true picture of what is happening inside the company.

"All actions implemented and their decision support will be available for inspection by authorized organization and provider parties."

3. Independence

Independence is the extent to which mechanisms have been put in place to minimize or avoid potential conflicts of interest that may exist, such as dominance by a strong chief executive or large share owner. These mechanisms range from the composition of the board, to appointments to committees of the board, and external parties such as the auditors. The decisions made, and internal processes established, should be objective and not allow for undue influences.

"All processes, decision-making, and mechanisms used will be established so as to minimize or avoid potential conflicts of interest."

4. Accountability

Individuals or groups in a company, who make decisions and take actions on specific issues, need to be accountable for their decisions and actions. Mechanisms must exist and be effective to allow for accountability. These provide investors with the means to query and assess the actions of the board and its committees.

"Identifiable groups within the organization - e.g., governance boards who take actions or make

decisions - are authorized and accountable for their actions.”

5. Responsibility

With regard to management, responsibility pertains to behavior that allows for corrective action and for penalizing mismanagement. Responsible management would, when necessary, put in place what it would take to set the company on the right path. While the board is accountable to the company, it must act responsively to and with responsibility towards all stakeholders of the company.

“Each contracted party is required to act responsibly to the organization and its stakeholders.”

6. Fairness

The systems that exist within the company must be balanced in taking into account all those that have an interest in the company and its future. The rights of various groups have to be acknowledged and respected. For example, minority share owner interests must receive equal consideration to those of the dominant share owner(s).

“All decisions taken, processes used, and their implementation will not be allowed to create unfair advantage to any one particular party.”

7. Social responsibility

A well-managed company will be aware of, and respond to, social issues, placing a high priority on ethical standards. A good corporate citizen is increasingly seen as one that is non-discriminatory, non-exploitative, and responsible with regard to environmental and human rights issues. A company is likely to experience indirect economic benefits such as improved productivity and corporate reputation by taking those factors into consideration.

Question No 02

What Are Financial Markets?

Financial markets refer broadly to any marketplace where the trading of securities occurs, including the stock market, bond market, forex market, and derivatives market, among others. Financial markets are vital to the smooth operation of capitalist economies.

Types of Financial Markets

Over-the-Counter Markets

An over-the-counter (OTC) market is a decentralized market—meaning it does not have physical locations, and trading is conducted electronically—in which market participant's trade securities directly between two parties without a broker. An OTC market handles the exchange of publicly traded stocks that are not listed on the NYSE, NASDAQ, or the American Stock Exchange. In general, companies that trade on OTC markets are smaller than those that trade on primary markets, as OTC markets require less regulation and cost less to use.

Bond Markets

A bond is a security in which an investor loans money for a defined period at a pre-established interest rate. You may think of a bond as an agreement between the lender and borrower that contains the details of the loan and its payments. Bonds are issued by corporations as well as by municipalities, states, and sovereign governments to finance projects and operations. The bond market sells securities such as notes and bills issued by the United States Treasury, for example. The bond market also is called the debt, credit, or fixed-income market.

Money Markets

Typically the money markets trade in products with highly liquid short-term maturities (of less than one year) and are characterized by a high degree of safety and a relatively low return in interest. At the wholesale level, the money markets involve large-volume trades between institutions and traders. At the retail level, they include money market mutual funds bought by individual investors and money market accounts opened by bank customers. Individuals may also invest in the money markets by buying short-term certificates of deposit (CDs), municipal notes, or U.S. Treasury bills, among other examples.

Derivatives Market

A derivative is a contract between two or more parties whose value is based on an agreed-upon underlying financial asset (like a security) or set of assets (like an index). Derivatives are secondary securities whose value is solely derived from the value of the primary security that they are linked to. In and of itself a derivative is worthless. Rather than trading stocks directly, a derivatives market trades in futures and options contracts, and other advanced financial products, that derive their value from underlying instruments like bonds, commodities, currencies, interest rates, market indexes, and stocks.

Forex Market

The forex (foreign exchange) market is the market in which participants can buy, sell, exchange, and speculate on currencies. As such, the forex market is the most liquid market in the world, as cash is the most liquid of assets. The currency market handles more than \$5 trillion in daily transactions, which is more than the futures and equity markets combined. As with the OTC markets, the forex market is also decentralized and consists of a global network of computers and brokers from around the world. The forex market is made up of banks, commercial companies, central banks, investment management firms, hedge funds, and retail forex brokers and investors.

Question NO 03

Here are the critical qualities of an effective board member:

1. Dedicated and Committed

Being a board member requires a high level of dedication and commitment to responsibilities that extends beyond attending board meetings regularly. Effective board members bring a lot to the table and maintain an unwavering interest to achieve the goals of the organization.

2. Able to lead and influence others

An excellent member of the board has the ability to lead and influence others to pursue the goals of the organization. He or she has the spirit and drive to set direction in order to fulfill the institution's business goals.

3. Straightforward and impartial

An effective board member brings candor to board meetings. He is able to engage other board members in discussions and debates without being arrogant or disrespectful. He is objective and impartial and has the ability to effectively drive a point across without making things personal. A good member of the board will not hesitate to ask the hard questions for the constituents that the board serves.

4. Knowledgeable and an insatiable learner

A member of the board should be knowledgeable about the organization and its culture, operations, mission, and vision, the roles and responsibilities of the board as well as the principles of good governance. Aside from that, he or she has an insatiable desire to learn and seek personal and professional development.

5. Values discretion and confidentiality

Trustworthiness is an essential trait of a board member. Board discussions and meetings are confidential and each member should be able to manifest discretion at all times. He or she should always support the decision of the board when speaking in behalf of the organization.

8 Tools to Strengthen Your Board of Directors

1. **Bylaws:** This is a legal document and also a roadmap for actions that the organization can take. While there are plenty of bylaws templates online, your organization should customize your bylaws. Some basic items to include in bylaws are: number of board members, how board members are selected, board meetings, committees, voting procedures, conflicts of interest, etc. We recommend that organizations annually review their bylaws and make sure that they are clear and provide good instruction to guide the Board of Directors.
2. **Board Manual or Handbook:** The Board handbook is the “toolbox” for Board members that provides more detail than the bylaws. This is a great resource to review during new Board member orientation. Some of the key elements that we look for and include in Board Handbooks are: Organization Overview, Contact Information, Board Meetings, Finances and Fundraising, Governance, Committees, Board Policies, and Board Resources.
3. **Board Member Job Description:** The last thing that an Executive Director or Board President wants to hear from a Board member is, “I didn’t know I was joining the Board to do _____.” One of the most prominent issues that we come across in working with Board of Directors is a lack of clear expectations for the Board of Directors. A Board Member Job Description is exactly as it sounds and similar to an employee job description. It clearly articulates what is expected of the Board member, such as meeting attendance, committee involvement, other organization involvement (e.g. attendance at certain events), a “give or get” policy (related to fundraising), and member terms. This information should all be communicated during the recruitment process, so that when the Board member is signing the form there are no surprises and everyone is in agreement about expectations.
4. **Board Self-Assessment:** In healthy organizations, there are ongoing performance reviews and assessments to check-in on how well the organization and its employees are functioning. The Board Self-Assessment is a good exercise for the Board to reflect on how well the Board is functioning regarding some key best practices. This could be a good practice to complete with a 3-year strategic plan. We have developed a 3-page Board self-assessment tool, and there are many online.
5. **1:1 Individual Board Member Check-In:** One strategy to engage current Board members is to schedule individual annual meetings with each Board member and the Executive Director and Board President/ Vice President. These individual check-in meetings provide a great opportunity to review the expectations of being a Board member, celebrate the successes and engagement of the last year, and follow up on any concerns. It is also a great time for the Board member to affirm their commitment for the coming year, such as financial pledge, leadership and/or committee roles, and any connections to make.
6. **Board Meeting Calendar and Key Decisions Meeting Calendar:** This is a “two-fer”. Yes, it may seem simple to state that a Board tool is a meeting calendar/ schedule, but you would be surprised by how many organizations do not have a clear meeting schedule and then struggle with attendance. We suggest sending out the Board meeting calendar for the year to all Board

members and including any additional important dates (e.g., annual member meeting, required fundraising event, etc.). In addition, in order to help drive strategic decisions at the Board meeting we suggest developing a “key decision meeting calendar.” Every organization has some key decisions that the Board will need to vote on and/or participate in, so it is helpful to put those on the calendar, such as annual budget review, program evaluation reports, and strategic plans (planning, check-in, or updates).

7. **Board Member Recruitment Process:** While the bylaws should outline at a high-level the process to approve new Board members a more detailed recruitment plan is helpful to standardize the process. We often work with many organizations who struggle with small Boards of Directors and are wanting to recruit more Board members but lack a clear understanding of the type of Board member that would be a good fit and a process for recruitment. We have developed several Board recruitment tools: a board composition assessment (what are your current “assets” and “strengths” on the Board and then your “gaps”); a nomination form that Board members can submit when they want to recommend a candidate; a new member application to gather some key information from prospects; and interview questions that Board members use when meeting with a prospective member.
8. **Communication Flowchart:** The last thing that an organization wants is to have one of their board members approached by a volunteer or staff member making a request, and the board member not know the procedure for how certain decisions are made. A communication flowchart explains how decisions are made within the organization and the role of the Board of Directors and its Committees.