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Corporate Governance of UAE Financial Institutions: A Comparative Study between Conventional and Islamic Banks

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Abstract

This study is targeted to enhance understanding of corporate governance (CG) in the banking sector and to examine the existence and practice of CG mechanisms in United Arab Emirates (UAE) Conventional Banks (CBs) and Islamic Banks (IBs). More specifically, the paper aims to explore to what degree corporate governance structures and practices used by CBs and IBs are different, including CG mechanisms forced by the law (Board of Directors, Auditors, Audit Committee and Credit Committee) and other CG modes adopted voluntarily by these banks. This exploratory study conducted on all UAE conventional and Islamic banks over the year 2014/15, indicates that both CBs and IBs have similar corporate governance structures, particularly those forced by the law, where all banks have a board of directors, an auditor and an audit committee. The sole difference between CBs and IBs with regards to CG structures is driven from the existence of Sharia 'a Supervisory Board (SSB), which is exclusive to IBs. Most of these banks have other committees voluntarily created to enhance corporate governance, such as nomination, numeration committees. The domination of Non-Executive Directors (NEDs) on the board and the lack of board duality show that both CBs and IBs are increasingly adopting a more independent board of directors. The study indicates the importance of internal mechanisms vis-à-vis external norms. The paper provides a comprehensive picture to help understand key CG mechanisms, particular used by UAE banks. Therefore, it helps policy makers, shareholders and other stakeholders to maintain effective corporate governance systems to enhance the effectiveness of financial institutions.

JEL classification numbers: G3
Keywords: Corporate Governance, Corporate Governance Mechanisms, Board of Directors, Audit Committee, Auditors, Executive Committee, UAE Conventional and Islamic Banks.

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1 Introduction

According to the Organization on Economic Co-Operation and Development (OECD), CG organizes the relationship between different stakeholders, including those who manage companies and those who provide resources in the companies. CG organizes a set of relationships between a company's management, the board of directors, its shareholders and other stakeholders. At the micro level, good CG persuades the management of an organization to pursue the objectives and act in accordance with the interests of shareholders, and facilitates monitoring and controlling. At the macro level, effective corporate governance structures provide a level of confidence necessary in the market economy (OECD [1]). Based on the importance of this theme, the literature review comprises a diversity of studies on CG, including qualitative, conceptual, theoretical and empirical studies (Manolescu et al. [2]).

Agency problems can be raised because of the misalignment of interests of managers, shareholders and other stakeholders. Particularly, the separation between ownership and control can create a conflict of interest between shareholders and managers, since the latter will be a self-interest optimizer; managers' interests and activities will be targeted to maximizing their benefits and/or minimizing their risk at the expense of those who provider resources (Jensen and Meckling [3];Shleifer and Vishny [4]). To limit these agency problems, several CG mechanisms are employed. The ultimate goal of CG is to enhance the company's economic efficiency and strengthen its growth, increase investors' confidence, provide a structure for setting objectives that will serve the interests of the shareholders and other stakeholders, and determine the mechanisms that can be employed to achieve these objectives and manage their accomplishment (OECD [1]).

Although CG is central to all stakeholders, particularly, shareholders, but its implementation is not that much simple as it may appear. CG is broad theme and comprises much debate. No doubt CG is recently developed concept and has taken the attention of countries, companies and managers. CG is the practice that requires transparency, accountability and good performance from the corporate managers. It has its strong base from companies' management to the shareholders' value as well as corporate social responsibility (Mehta and Chandani [5]).

Given that companies take different forms across countries and economies, and therefore it is difficult to develop a uniform thinking on the theme of CG accordingly. The literature review on banks' corporate governance has been given less attention and has not been sufficiently considered despite its importance. Additionally, the recent global financial and banking crises have emphasized the importance of enhancing understanding of bank governance (Pathan and Skully [6]). Moreover, the governance of IBs should be different from that of CBs due to the involvement of a high number of parties in their governance scheme. Where, investors, regulators, other stakeholders and the Islamic community have a direct interest in and impact on the stability of the Islamic banking system, which depends on IBs financial stability. As a result, corporate governance attributes are placed in a crucial role of corporate governance of IBs (Grassa and Matoussi [7]).

This study explores CG mechanisms in the banking sector, including IBs and CBs which may due to three considerations:

- The central role of banks in any economy; they acquire publics' savings in the form of deposits, provide means of payment for goods and services and finance the development of businesses. Accordingly, banks' corporate governance concern not only shareholders and managers, but also customers, depositors, creditors and the community. Therefore,

banking corporate governance is perceived by some authors as a public interest (Damak [8]).
-The banking sector compared with other business sectors and industries is characterized by the complexity of the operations, which increases information asymmetry and lower the stakeholders' ability to monitor the decisions of bank managers. These features of the banking sector require distinctive CG systems and the implementation of more specific and complex banking corporate governance mechanisms (Ţurleai et al. [9]).
-The banking sector is highly regulated compared with other industries, due to the responsibility of banks for protecting the rights of the depositors, ensuring the stability of the payment system and reducing risk. Therefore, it is important to explore corporate governance mechanisms used by both CBs and IBs and to what degree they are different and to verify if these mechanisms forced by laws and regulations or voluntarily employed by banks.
Given that most of the IBs are located in GCC and Southeast Asia countries. This paper explores corporate governance structures in both CBs and IBs in one of the GCC countries (the UAE). In particular, this study examines corporate governance mechanisms as identified as relevant by academics and practitioners, including ownership structure, board of directors, board characteristics, board committees, Sharia 'a board and investigate to what degree CG mechanisms used by CBs are different from those used by IBs. Our goal is to provide useful information and data and a framework for thinking about the governance of CBs and IBs.
The paper is structured around seven sections. Section one demonstrates the theoretical background of corporate governance mechanisms, including agency problems, CG definitions, and CG mechanisms. Section two is concerned with reviewing the literature on CG and firm performance in general and corporate governance on CBs and IBs in particular. Section three is concerned with highlighting research problem, research methodology and research limitations. The regulatory outlines of the UAE banking sector, including CBs and IBs is addressed in section four. A comparative study of CG mechanisms adopted by UAE CBs and IBs, including ownership characteristics, board of directors' characteristics, Shari'a board and committee structure is conducted in section five. Finally, research conclusion is revealed in section six. Moreover, the paper lasts with identifying some main policy and research issues that require further study on CG in the banking sector in section seven.

2 Theoretical Background of Corporate Governance

This section addresses agency problems and corporate governance theories or models and demonstrates several definitions of CG from different perspectives. Furthermore, the internal and external corporate governance mechanisms are highlighted in this section. According to Shleifer and Vishney [10], the agency theory of CG focuses on how to persuade managers to act in the best interests of shareholders. In most countries, companies' managers are legally responsible to the shareholders. Hence, the difference between the legal rights of shareholders and the actual control of managers led to the development of agency model of corporate governance (Jensen and Meckling [3]; Fama and Jensen, 1983a,b [11]; and Hart [12]). However, there are other perspectives or models addressing the possibility of aligning the interests of managers, owners, and other stakeholders.

2.1 When Agency Problems Arise?

The separation of ownership and control can create agency problems, due to the conflict of interests between companies' managers and owners, since the former will act to maximize their interests and/or minimize their risk at the expense of the later (Rachagan and Satkunasingam [13]). Several factors enable managers to optimize their own benefits; particularly they are better informed than owners about the activity of the business, and therefore opportunistic behavior can be raised. Opportunism of managers is recognized by handling private information and managing their reputation by choosing the projects that create a maximum of the short term profits. Also, managers may take advantage from the lack of transparency to convey only information that serves their interests. Hence, managers can preserve their positions from the competition in the labor market. In this context, (Stieglitz and Edling [14]) propose a model in which managers enhance the investments of the company to increase information asymmetry. Similarly, (Morck et al.[15]) indicated that the manager engages the company in several acquisitions to increase their own personal benefits, even if these acquisitions generate negative consequences for the company.

There are several agency problems can arise in companies. The first includes the conflict of interests between companies' managers and owners as indicated above. The second agency problem expands to include the conflict of interests between the majority or controlling shareholders and the minority or non-controlling shareholders. In this case, the non-controlling shareholders are the principals and the controlling shareholders are the agents, and the problem is to ensure that the controlling shareholders are acting in the best interests of the non-controlling shareholders. The third agency problem includes the conflict of interests between the company and the other stakeholders who have interests in or impact on the company, such as creditors, employees, customers and others. In this context, the problem is to assure that the company as an agent does not behave opportunistically by exploiting these other principals ((Rachagan and Satkunasingam [13]). Also, agency problems can take the forms of adverse selection and moral hazard. Adverse selection arises when the principal employs an agent who is less competent, committed, productive, or ethical. Moral hazard can arise due to the lack of effort on the part of agents after hiring them. This risk can take different forms, such as commission or omission of actions and the consumption of advantages ((Rachagan and Satkunasingam [13]). This paper addresses the agency problem which arises from the conflict of interests between shareholders and managers.

CG expands to include the legal, institutional, and cultural mechanisms, which allow shareholders to limit agency problems (John and Senbet [16]; Peace and Osmond [17]). Good corporate governance therefore plays a central role in solving these agency problems by enabling shareholders to exercise control over corporate executives, align the interests of these groups and lead to superior performance (Jensen and Meckling [3]; Fama and Jensen [11]; Daily and Dalton[18]). CG mechanisms, including internal and external norms should be adopted in order to align the interests of agents and principals (Bozec and Bozec [19]).

According to literature review, there are several corporate governance theories or models have been developed, including the shareholder model or the agency theory, which ensure the interests of the shareholders (as described above). The second, the stakeholder's model, which recognizes the interests of employees, managers, suppliers, customers and the community. The stakeholder theory argues that managers are not only responsible for

satisfying shareholders' motives, but also for acting in the best interests of a broad range of stakeholders, including employees, customers, suppliers, creditors, depositors and the community as whole. According to stakeholder theory, the managers should on the one hand act in accordance with stakeholders' interests in order to ensure their rights and their participation in decision making and on the other hand the management must act as the stockholder's agent to ensure the survival of the company to maintain the long term stakes of each group (Fontaine et al. [20]).

The third, the stewardship model which claims that the conflict of interests between managers and shareholders can be avoided (Jeffers [21]; Donker and Zahir [22]; Letza et al.[23]). This theory argues that managers or agents are not motivated by opportunistic interests but rather they are stewards and behave in the best interests of shareholders or principals. Unlike the shareholder theory which claims that conflict of interest between managers and shareholders is inevitable unless appropriate corporate governance mechanisms are employed to align the interests of managers and owners (Jensen and Meckling [3]). The stewardship model indicates that stewards (managers) will be satisfied and motivated when organizational success is attained even at the expense of their own individual motives. Furthermore, while the shareholder theory claims that shareholders' interests will be protected by avoiding board duality, stewardship theory argues that shareholder interests will be maximized by appointing the same person to the two posts to provide more responsibility and autonomy to the CEO as a steward in the company (Donaldson and Davis [24]).

2.2 Corporate Governance Definitions

Concepts of CG vary extensively relying on political/legal, economic and cultural differences. CG definitions can be categorized in two groups; the first set of definitions focuses on the normative framework which encompasses the rules under which companies are operating, including the rules derived from the legal system, financial and labor markets. This set of definitions could be the most appropriate to examine how differences in the normative frameworks affect the patterns of firms, investors, and others (Claessens [25]). The second group focuses on the actual behavior of companies, in terms of measures such as performance, efficiency, growth, financial structure, and how to deal with shareholders and other stakeholders. The second group of definitions would be more appropriate for studies of single countries or companies within a country. It considers measures such as how boards of directors are functioning, the role of executive compensation in motivating managers to act in the best interests of shareholders and the role and responsibilities of shareholders.

In the reality, CG can be viewed from five different perspectives (Van den Berghe and Carchon [26]; Sison [27]). Firstly, CG can be understood at the level of the board of directors; secondly, it can be understood at the level of the so-called *"corporate governance tripod"* comprising shareholders, directors and management; thirdly, CG can be viewed from the perspective of a company's direct stakeholders, including employees, suppliers and customers; fourthly, from the viewpoint of a company's indirect stakeholders, including the government, the environment and the society as a whole. Finally, CG can be understood from a global perspective that considers the economic, legal and cultural environments in which an organization works and competes in (Ţurleai et al. [9]).

Diverse CG definitions reflect different theoretical frameworks or models. For instance, the definitions that are articulated by Cadbury [28]; Shleifer and Vishny [10]), such as "*CG is the system by which companies are directed and controlled"* indicated that CG is associated with both ownership and control, and that it is targeted to maximizing the benefits of the shareholders. These definitions are associated with the agency theory or shareholders model. Alternatively, the definitions of (OECD [1]; Sison [27];Solomon [29]) are directed by the stakeholder theory, which outlines the rights and responsibilities of each major group of stakeholders in a company, and explains rules and procedures for making decisions about corporate affairs (Shahin and Zairi [30]). For example, the definition such as "*the system of checks and balances, both internal and external to companies, which pushes companies fulfilling their accountability to all stakeholders and act in a socially accepted manner*" **is** associated with the stakeholder model Sison [27]).
While, literature review on CG of Islamic Financial institutions (IFIs) considers the corporate governance as a mechanism that allows ensuring fairness to all stakeholders through greater transparency and accountability toward Islamic principles. The corporate governance of Shariah-compliant business would first look at the transactional structure to see whether the transaction involves elements that invalidate gains or profits, as Shariah is concerned not only with the substance but also with the form of the transaction (Ibrahim [31]). According to Ghayad [32]; Magalha˜es and Al-Saad [33]) CG can be defined as the "set of relationships between a company's management, its Board, its shareholders and other stakeholder". They emphasize the importance of attaining and ensuring justice and equality to all stakeholders through transparency and accountability. Accordingly, IBs have a complicated governance system. Indeed, the number of stakeholders who have a direct interest in the activities of IBs complicates their governance system. Also, the board of directors and the Shariah board, investors, depositors and regulators have a direct impact on the performance and the continuity of the activities of the IBs (Lewis [34]).
This study adopts the definitions that reflect the shareholders model, particularly the Cadbury definition of corporate governance as: "a system by which companies are directed and controlled", which highlights the main players' roles in an organization, including shareholders, the board of directors as well as the auditor (Cadbury [28]).

2.3 Corporate Governance Mechanisms

Corporate governance mechanisms can be defined as a set of norms or control structures used by shareholders to align their own interests with managers' interests and to monitor and control managers. The purpose of these governance mechanisms is to limit the scope and frequency of agency problems and to ensure that agents act in accordance with the best interests of their principals (Hill and Jones [35]). There are two distinct types of corporate governance mechanisms: internal and external mechanisms (Hill and Jones [35]; Damak [8]:

2.3.1 Internal Corporate Governance Mechanisms

Internal mechanisms are the internal means used by companies which can persuade managers to maximize the shareholders' value. These means include, in particular, board of directors, audit committees, auditor, ownership structure, stock-based compensation supervisory board.

(A) The Board of Directors: It is the cornerstone of the corporate governance system in companies across most of countries. The board members are directly elected by shareholders and they represent shareholders' interests in the company. Hence, the board is responsible for monitoring corporate strategy decisions and controlling management activities on behalf of shareholders, ensuring that managers pursue strategies that are in the best interests of stockholders. In addition, the board is legally accountable for the company's actions and is authorized to hire, fire, and compensate corporate executives, including most importantly the CEO. Furthermore, the board is also responsible for the verification of financial reliability, the verification of compliance with laws and regulations and the reduction of information asymmetry between shareholders and managers (Hill and Jones [35]).
The typical board of directors comprises a synthesis of Executive Directors (EDs) and Non-Executive Directors (NEDs). EDs are required on the board because they have valuable information about the company's activities. While, NEDs who are professional and hold positions on the boards of several companies are needed to bring objectivity to the monitoring and evaluation processes, particularly their needs to maintain a reputation as independent directors gives them an incentive to conduct their tasks as objectively and effectively as possible (Fama and Jensen [11]).

(B) Board Committees: Committees are complementary components to the board of directors. They are required to conduct particular activities or tasks that are delegated by the board. Board committees can be mandatory by the laws and regulations and can be recommended by the board depending on nature of business sectors in which companies work and compete. The number and structure of the committees that are created by laws and regulations vary from a country to another. However, committees which most commonly provided are: the audit committee; the nomination committee, the executive committee and the remuneration committee.

(C) Financial Statements and Auditors: Public stock companies (PSCs) in most countries are required to reveal quarterly and annual reports aiming to provide consistent, detailed, and accurate information about how efficiently and effectively the agents are managing the company. This financial information must be audited by an independent and accredited accounting firm or external auditor. If the system works as projected, shareholders can have a lot of faith that the information contained in financial statements accurately reflects the company's financial position (Hill and Jones [35]).The role of the auditor is to provide shareholders with more developed and more relevant information. The internal audit function plays a central role in the ongoing assessment of a bank's internal control, risk management and governance systems and processes–areas in which supervisory authorities have a keen interest"(Basel Committee on Banking Supervision [36]; Damak [8]).

(D) Ownership Structure: a tool to control the relations between shareholders and managers. The ownership structure is an effective means to control managers. The ownership structure provides the basis for efficient monitoring system, namely, an incentive controller to carry out their functions, as well as cost control. As per the agency theory two components of the ownership structure, the concentration of capital and the nature of the shareholders may be the cause of the performance of a company.

(E) Stock-Based Compensation: According to the agency theory, one of the most effective mechanisms to limit the scope of the agency problems is to motivate agents or management to act in accordance with the best interests of principals or shareholders through pay-for performance system. Where, shareholders can motivate top managers to pursue strategies that maximize a company's long term profitability and profit growth, and thus the stocks' value, by linking managers' pay to the performance of the stock price. The common pay-for performance system is to grant managers stock options; the right to buy the company's shares at a predetermined price at some points in the future. The idea behind stock options is to motivate managers to pursue strategies that increase the shares' value, and therefore they will also increase the value of their own stock options (Hill and Jones [35]).

2.3.2 External Corporate Governance Mechanisms

Given the limitations of internal CG mechanisms used by companies, there is another type of control that can contribute in managing the potential conflict of interests that may arise between shareholders and managers. This control is carried out by the market including: financial market, market goods and services, labor market managers.

(A) The Financial Market: The role of the financial market in controlling the company's management is becoming more important in economies in which there are developed stock markets. There is a positive relationship between efficiency, effectiveness of managers and the company's market value. If the management strategy is likely to endanger the advantages of shareholders, they can sell their shares. Hence, if they start doing so in large numbers, the value of the company's shares will decrease and may become an attractive acquisition target and runs the risk of being acquired by another company, against the wishes of the target company's management. Therefore, senior managers typically lose their independence and probably face the risk of being replaced after the takeover of a new investor. So the threat of takeover can constraint management actions and limit the agency costs. The takeover constraint limits the extent to which managers pursue strategies and take actions that achieve their own interests at the expense of their shareholders (Hill and Jones [35]).

(B) The Goods and Services Market: Competition in the market of goods and services can endanger top managers who act in accordance with their own individual interests at the expense of shareholders' motives. In practice, any competitive market leads the managers to maximize the company's resources and to play a preventive role against the failure of the company. However, the effectiveness of this mechanism of control is limited (Damak [8]).

(C) The Labor Market for Managers: The labor market is an effective control mechanism because it addresses the importance of human capital in management. Managers are constantly faced with the pressure of the labor market. This market allows for the selection of the most competent managers based on their merit through the competition which exists between external and internal managers.

3 Literature Review on Corporate Governance

3.1 Literature Review on CG and Firm Performance

Table 1: Finding of Previous Literature on CG and firm performance

Authors	Key Findings
Sánchez [37]	This study investigated the effectiveness of CG by examining the influence of board characteristics, including board size, independence, diversity and activity on companies' efficiency in Spain. Findings indicated that business efficiency is linked with diverse boards with a limited activity specified in a condensed number of annual board meetings with a higher number of specialized board committees.
Claessens [25]	This study examined the relationship between CG and economic development and well-being. Results indicated that better CG frameworks allow companies to obtain greater access to financing, to lower cost of capital, to enhance firm performance, and to create more favorable treatment of all stakeholders.
Needles [38]	This study examined Turkish high and low performing companies and explored their measures of CG. Results indicated that both high and low performing Turkish companies scored moderate measures of CG. However, high performing companies scored higher norms of CG than counterparts.
Needles [38]	This study examined the relationship between firms' CG mechanisms and overall firm credit ratings. Results revealed that credit ratings are negatively associated with the number of block holders and CEO power, and positively linked to takeover constraints, earnings appropriateness, board independence and board expertise.
(Banerjee et al. [39]; Sami et al.[40])	These studies investigated the levels of compliance of HPCs as well as ORDs with good corporate governance measures in India. Results indicated that HPCs scored higher measures of CG vis-à-vis ORDs. Also, results found that CG measures are positively and significantly associated with firm performance and valuation.
Mohamad and Sulong [41]	The study examined the relationship between corporate governance mechanisms and the level of Malaysian listed companies' disclosure. Results indicated that companies with higher percentage of family members on boards have significant lower level of disclosure in their annual reports.
Alzoubi and Selamat [42]	This study investigated the relationship between CG mechanisms and earning management. Findings showed that the companies with effective characteristics of board and audit committee are less likely to allow earning management because opportunistic earning's cause uncertainty about the economic value of a company.
Leng and Ding [43]	This study examined the impact of CG structures on Chinese listed companies' internal control disclosure. Results indicated that internal control disclosure is positively related to directors' remuneration, board duality and directors' education level. Also, findings indicated that internal control disclosure is not significantly associated with ownership structure, board size and board independence.

Al-Malkawi and Pillai [44]	This study investigated the impact of internal corporate governance mechanisms on firm performance. Findings revealed that the smaller board size, non-existence of duality and favorable dividend mechanisms are positively associated with company performance. Also, results found that institutional ownership is not significantly related to company performance.
Shahin and Zairi (30)	This study explored the role of CG in delivering excellence in corporate social responsibility (CSR). Findings revealed that the leadership style is playing an important role in socially responsible corporations. Particularly, transformational leader seems to be more effective vis-à-vis transactional leader.
Kiel and Nicholson [45]	The study examined the impact of board composition on corporate performance in Australian listed companies. Findings indicated that board size and board composition were significantly positively associated with company performance.

3.2 Literature Review on CG in the banking Sector (CBs and IBs)

Table 2: Finding of Previous Literature on CG in conventional and Islamic banks

Authors	Key Findings
Dalwai et al. [46]	This study reviewed literature on the relationship between CG and firm performance in the Gulf Cooperation Council (GCC). It analyzed the different empirical and theoretical contributions in establishing the relationship between CG and firm performance. Findings emphasized the need for more research studies in the GCC countries in the field of corporate governance of the banking sector.
Ţurleai et al. [9]	This study explored CG in banks, by analyzing the characteristics of CG in the banking sector. Findings emphasized that there is and it should be a relationship of complementarities between the main corporate governance mechanisms, including internal audit, audit committee, and external audit.
(Aboagye and Otieku [47]; Abraham et al. [48]; Handley-Schachler et al. [49]; Nathan and Ribière [50]; Jamali et al. [51])	These studies investigated the impact of CG mechanisms on banks' performance, including examining the relationship between banks' corporate governance practices and financial reporting process; the association between CG failure and financial problems in the banking sector etc. Findings emphasized, among others, the uniqueness of the banking sector.
Al Saeed [52]; (Bawaneh [53]; Abu Risheh and Al-Sa'eed [54])	These studies explored the degree of compliance of Jordanian banks with the OECD's principles of CG. Findings indicated that the banking sector in Jordan comply with the OECD corporate governance principles. Also, results found that banks comply with CG requirements by acting in accordance with Jordan Central Bank CG guidelines and requirements which are driven from OECD principles of corporate governance.
Ţurleai et al. [9]	The study investigated the influence of the disclosure on corporate governance in major Australian banks. Findings revealed the subjectivity of financial reports and the inability of these reports to present an accurate depiction of reality.

Fanta et al. [55]	The study examined the impact of internal and external CG mechanisms on bank performance as measured by ROE and ROA. Results indicated that there is a significant positive relationship between bank size and capital adequacy ratio and bank performance. While there is a significant negative relationship between board size and board audit committee and bank performance.
Al-Hawary [56]	This study investigated the relationship between CG and Jordanian conventional banks' performance. Results indicated that CEO duality, board independence, ownership concentration, and capital adequacy are significantly associated with bank performance, while leverage is not significantly related to banks performance.
Sunday [57]	This study examined the impact of CG on Nigerian banks' performance. Findings found that board and CEO duality had a positive effect on bank performance.
Tandelilin et al. [58]	The study examined the relationship between CG, risk management, and bank performance in Indonesian banks. Findings revealed that risk management had significant effect on bank performance, and the relationship between CG and bank performance is affected by the type of bank ownership.
Kim and Rasiah [59]	The study examined the relationship between CG and bank performance in Malaysia. Findings indicated that foreign-owned banks had better corporate governance practices than domestically owned private banks.
(Sunday [57]; Kiel and Nicholson [45]; Dallas [60])	These studies examined the influence of board characteristics, including its size, independence, structure, activity, and remuneration on banks' performance. Findings indicated that the size of the board can be an important governance consideration and the optimal size of board of directors should be established for good corporate governance as well as firm performance.
Inam and Mukhtar [61]	This study investigated the impact of CG on banks' performance in Pakistan. Results indicated that banks with good corporate governance showed better performance vis-à-vis banks with poorer corporate governance.
Nathan and Ribie`re (50)	This study explored the concepts and relationships between intellectual capital, knowledge, wisdom and corporate responsibility in the context of the corporate governance of IBs. Results revealed that the concepts and values adopted by IFIs and by social responsible investments have many commonalities and they both tend to bring wisdom to the corporations' operations and goals.
Toufik [62]	This study explored the main elements of corporate governance in IBs and investigated the role played by Shari'ah Supervisory Board (SSB). The study revealed that IBs are progressing in adapting corporate governance elements, including accountability, transparency and trustworthiness. The SSB is playing vital and effective advisory and counseling roles in IBs.
Dalwait et al. [63]	This study explored how Oman's Islamic Banking Regulatory Framework can contribute towards enhancing the financial inclusion. It also aimed at providing the foundations of future empirical studies that measure the association of corporate governance with financial inclusion and give directions to the regulatory bodies for continuously improving practices.

Daryaei et al. (64)	This study investigated corporate governance in IBs, by comparing CG systems with Islamic values. Results revealed that developing without regard to economic systems and culture is impossible, because economic systems and culture are correlated. Also, it concluded that the synthesizing characters of western CG systems with Islamic values as accountability, transparency, social justice and trustworthiness, help companies to attract investment and improve their performance.
Ghaffar et al. [65]	The study investigated the impact of corporate governance adopted by IBs in Pakistan on the profitability of these banks measured by using return on assets (ROA) and return on equity (ROE). Results revealed that the profitability of IBs in Pakistan tends to increase with the adoption of good corporate governance practices.
Grassa and Matoussi [7]	This study examined the current CG practices and structures of Islamic banks (IBs) in the GCC and Southeast Asia. Also, it compared the state of the governance framework in GCC countries (Kuwait, Bahrain, United Arab Emirates, Qatar and Saudi Arabia) and Southeast Asia countries (Malaysia and Indonesia). Results revealed that there were significant differences of corporate governance structures of IBs in GCC countries and those in Southeast Asia countries.
Hamza [66]	This study examined the relationship between Sharia compliance, the form of Sharia supervision and the effectiveness of Sharia governance. It compared the decentralized model of Sharia governance framework in the GCC and the centralized model in Malaysia. Findings found that the centralized Sharia governance system adopted in Malaysia seems to be more beneficial to the industry in terms of effectiveness and credibility of the Islamic banks.
Al-Beshtawi et al. [67]	This study explored the role of CG in Jordanian's conventional and Islamic banks and its impact on financial and non-financial performance of these banks. Results revealed that both CBs and IBs apply principles, components and steps of corporate. The study recommended the need for greater attention to the competent authorities to monitor financial and non-financial performance of the departments of Jordanian banks and increase the provisions of the law and the necessary legislation imposed by the government and the competent application of corporate governance.
Garas [68]	This study explored the conflict of interests in the Sharia 'a board and the conflict of interests between the Sharia 'a board and board of directors and other third parties in IFIs. Findings indicated that the conflict of interests in the Sharia 'a board is significantly affected by the executive position of the Sharia 'a board members.
Grassa and Matoussi [7]	This study examined whether a multi-layer CG model instituted by the Islamic banking system offers protection against its weakness to financial crises. Findings found that the CG model followed by IBs provides better protection against crisis.
Grassa et al. [69]	This study investigated the impact of the Sharia 'a board on financial and ethical performance of IBs. Results indicated that no significant relation has been observed between financial performance and Sharia 'board characteristics. However, governance attributes are efficient in terms of Sharia 'compliance transactions.

4 Research Problem and Methodology

4.1 Research Problem

The role of CG is central to directing and controlling management strategies, policies, decisions and actions to achieve shareholders' interests. CG has been recognized as one of the main research trends that affect all types of companies and banks in particular. Despite the importance of CG, empirical research in this area, particularly in the banking sector, including CBs and IBs is still limited. This study aims to demonstrate the importance of CG particularly for financial institutions and explore the specific corporate governance mechanisms used by both UAE banks. The research problem is to explore the CG mechanisms most commonly adopted by UAE conventional and Islamic banks. This study therefore aims to examine empirically the existence of certain CG mechanisms in UAE banks. More specifically, this study seeks to address the following questions:

1- Which corporate governance mechanisms used by UAE conventional and Islamic banks either forced by the law or used voluntarily by these banks.
2- To what degree CG mechanisms used by CBs differ from those used by IBs.
3- To what degree UAE banks' boards of directors /Sharia'a boards are independent.

4.2 Research Methodology

To tackle the above questions, an exploratory research used to conduct a detailed analysis of UAE banks' CG structures or norms provided by annual reports and other materials, together with a review of other relevant literature, particularly on CG in UAE banks. More specifically, to explore the specific corporate governance mechanisms used by UAE conventional and Islamic banks that include those forced by the law and others decided on voluntarily by these institutions. In addition to analyze the degree to which the participating banks' boards of directors and Shari'a boards are independent, annual reports of the participating banks are used as the data source. Furthermore, All available documentation materials are investigated, including UAE Central Bank' publications and related documentations highlighting CG in UAE companies such as the Law of Commercial Code companies and The IFSB Standards. Use of multiple-informants and use of archival data helped in crosschecking relevant information and verifying the reliability of data.

For the purpose of the study, all conventional and Islamic banks in 2014/15 were taken from the list of UAE national banks, which comprise eight Islamic banks and fifteen conventional banks. Four banks, including three conventional banks and one Islamic bank were excluded from the study due to the lack of comprehensive information required. Table 3 depicts the UAE conventional and Islamic banks subject to this study. The study involved the analysis of annual reports of the banks stated bellow for the years 2010 up to 2015. Additionally, other information has manually collected from annual reports and the websites of these banks which were also consulted for specific issues such as relations with shareholders.

Table 3: Investigated UAE Conventional and Islamic Banks in 2014/15
(Public Stock Companies-P.S.C)

NO.	Conventional Banks	TotalEquity (AED)	NO.	Islamic Banks	Total Equity (AED)
B1	National Bank of Abu Dhabi (NBAD)	34.7 billion	B13	Abu Dhabi Islamic Bank (ADIB)	13.1 billion
B2	National Bank of Umm-Al Qaiwain	3.7 billion	B14	Ajman Bank	998.353 million
B3	RAK Bank (the National Bank of Ras Al Khaimah)	6.5 billion	B15	Al Hilal Bank	3.933 billion
B4	Bank of Sharjah	4.2 billion	B16	Dubai Islamic Bank	16.342 billion
B5	Emirates NBD Bank	41.7 billion	B17	Emirates Islamic Bank	4.157 billion
B6	Commercial Bank of Dubai	7.554 billion	B18	Noor Islamic Bank	3.273 billion
B7	First Gulf Bank (FGB)	31.7 billion	B19	Sharjah Islamic Bank	4.588 billion
B8	Mashreq Bank	15.120 billion			
B9	National Bank of Fujairah	3.029 billion			
B10	Union National Bank	15.337 billion			
B11	Abu Dhabi Commercial Bank (ADCB)	24.82 billion			
B12	Invest Bank	2.610 billion			

Source: (UAE Banks Federation, Annual Report [70]; Emirates Banks Association, National Banks [71])

4.3 Research Limitations

This study is limited to explore the existence and practice of CG mechanisms and the board independence in UAE banks. Hence, CG structures or norms are not investigated in foreign banks working in the UAE. In addition to, external governance mechanisms opted for by UAE banks are not examined due to the lack of information on these external mechanisms in most of banks' annual reports.

5 Regulatory Outlines of the UAE Banking Sector

The following section addresses the role and features of the banking sector, CG guidelines for UAE banks' boards of directors and the role of Sharia 'a Supervisory Board.

5.1 Characteristics of the Banking Sector

The banking sector is central to the success of any economy. All industries in any economy are significantly affected by the banking sector. However, there are other economic fields are of great importance for countries' economies such as transportation

and energy. But in no other sector are the interdependencies and the potential consequences of the individual corporate collapses as far-reaching and unforeseeable as in the financial sector (Turleai et al. [9]). Loans from banks are the main source of external finance for companies in most of economies. Levine [72] emphasizes the importance of banks for industrial expansion, the CG of companies, and capital allocation. The efficient allocation of funds by banks reduces the cost of capital to companies, enhances capital formation, and encourages productivity. Therefore, banks influence the operations of companies and the prosperity of nations.

The banking sector is affected by the imbalanced distribution of information. Information asymmetries occur in all industries, as Levine [72] highlights, but these informational asymmetries are greater with banks. Moreover, the lack of balance of a single bank can easily affect other banks and influence the whole banking sector, with negative effects for the whole economy and finally for the economic and political stability of a country. Another characteristic of the banking sector is the globalization phenomenon that extends in the financial markets, where, there are internationally linked markets and the costs of global transactions decreased significantly. The banking industry is becoming increasingly global, the operations with corporate customers, as well as the operations with private customers that have recently become more and more regular.

Other characteristics, including the liquidity production function, the crucial role in the payments system, the complexity, the trend to instability and the systemic risk confirm the existence and necessity of rigorous regulations of the banking sector. Certainly, the economics and functions of banks differ from those of industrial companies, because of these differences; banks are subject to strict regulations of their capital and risk. Moreover, these differences are reflected in CG practices used by the banking sector. In general in the financial market, banks play the role as financial intermediaries between lenders and depositors (Mishkin and Eakins [73]). This role of banks to protect depositors' funds has made corporate governance important for financial institutions to maintain public trust towards the banking system and to maintain the stakeholders' confidence including the shareholders and investors (Basel Committee on Banking Supervision [36]).

Following are some economic and financial indicators that justify the great importance of the UAE banking sector for the country's economy in 2013(IMF World Outlook Database [74]; NBAD Annual Report [75]; UAE Central Bank Annual Report [76]):

- UAE is the seven largest oil reserves in the world;
- The UAE economy is the second largest economy in the GCC and in the Arab world and the 29th largest GDP in the world;
- The UAE's real GDP growth was 4.8%;
- The non-oil sector constituted nearly 60% of GDP;
- The UAE banking sector contribution to GDP was 7.4%;
- The UAE banking sector is the largest one in the GCC (UAE 34%- Saudi Arabia 32%- Qatar 16%- Kuwait 11%- Oman 4%-Bahrain 3%)
- The UAE banking sector comprises of 51 banks (23 local, 28 foreign)
- The UAE banking sector loans were up 7.1%; loans-to deposits ratio was at 92%, and net assets grew over 13%;
- The UAE banking sector capital adequacy ratio remained high at 19% reflecting the core strength of the sector;

The literature review suggests that CG mechanisms of banks require an empirical investigation to recognize and distinguish the different corporate governance frameworks from those of other companies (Al Saeed [52]).The foregoing literature review on CG in

banks has outlined that CG as an important agenda because it has an impact on the growth, employment and economic development of a country. This research focuses on corporate governance mechanisms adopted by UAE conventional and Islamic banks because their conduct and behavior can have the positive/negative impacts on the country economy.

5.2 CG Guidelines for Board Members of UAE Banks

The OECD has developed global CG principles and standards that guide policymakers across different nations. As per the OECD, the CG framework should persuade transparent and efficient markets, align with the laws and regulations and clearly divide the responsibilities among different supervisory, regulatory and enforcement authorities. The OECD principles of CG are grouped into the following categories (OECD [1]; 10 Al Saeed [52]):

1-Shareholders' rights and duties: an effective framework of CG should ensure that owners' rights are protected and exercised and their duties are respected and carried out.
2-The fair treatment of shareholders: An effective framework of CG ensures that all owners, including minority and foreigners should be treated fairly and given the opportunity to obtain effective remedy for violation of their rights.
3-The Role of shareholders: an effective framework of CG should ensure that timely and accurate disclosure is made of all required and relevant information regarding the company, including the financial situation, performance, growth, ownership structure, and governance of the company. Also, companies' management should comply with other behavioral patterns, such as transparency and accountability and efficiency.
4-The board responsibilities: An effective framework of CG should ensure the responsibility of the board concerning the strategic direction of the company, the effective monitoring of management and the accountability to the company and the shareholders.

Based on the OECD corporate governance standards and principles, the UAE Central Bank in June 2006, published a framework of guidelines ensure the basis for an effective CG for UAE bank boards of directors. This framework presents an informative and practical guide to corporate governance practices and to directors' functions in UAE banks. These guidelines focus on CG principles and standards rather than set out detailed rules. The guidance also assists bank directors to become more effective contributors to their boards and to the success of banks (UAE Central Bank, Corporate Governance Guidelines [77]).
The guidance expands to include a number of model charters and other documents which are driven from banks outside the UAE and should be considered only as examples that may benefit UAE banks' board members to develop their own documents to align with their bank’s individual circumstances. The vast majority of UAE banks' board members are non-executive directors elected by shareholders who may include governments and/or families who control the bank. Board members should act in the best interests of all shareholders. As required by Central Bank Circular 23/00, directors should contribute to board discussions and decisions independently. Appointments of directors will need to be notified to the Central Bank to ensure that they are the most relevant personnel. The regulator will need to be satisfied as to the person’s: honesty, integrity and reputation,

competence and capability, and financial soundness. All board members should be elected by shareholders for three-year terms and then be required to pursue re-election.
The board is responsible for strategic direction, management supervision and effective controls with the ultimate objective of encouraging the success and long-term value of the bank. The board must ensure that management pursues the balances between long-term growth and the delivery of short-term objectives. The board will ensure good planning and proper procedures for the maintenance of adequate accounting and other records and for systems of internal control as well as for compliance with regulatory obligations. The board is the decision-making body for all issues that are significant to the bank as a whole because of their strategic, financial or reputational implications. The board has the authority to decide on all issues except those that are kept by law or the Articles of Association to the authority of the shareholders in general meetings. The board can delegate certain authorities and powers in specific areas to board committees, management. The scope and extent of authorities and powers that are delegated by the board should be set out clearly in an institutional manual and should be freely available to all employees.

5.3 The Role of Sharia'a Supervisory Board (SSB)

Unlike the board of directors, the SSB members are specialized scholars in Sharia'a and experts in the field of Islamic financial Institutions (Nathan and Ribie're [50]; AAOIFI, 2014/15 [78]; Al-Mahmoud [79];Al-Qattan and Abdul Sattar [80]). The SSB members should be intellectually honest and free of conflict of interests to enhance the public confidence in IFIs activities (AAOIFI, 2006a, b [81]) to reflect the religious image of the organization. In addition to this, the SSB members do not have professional code to follow or uniform understanding and interpretation of Shari'a. This difference is accepted among the SSB members because of the different in Islamic sects of Hanafi, Hanbali, Maliki and Shafi'i; however, it leaves a gap of arguments between the management and SSB, if they have different points-of-view (Karim [82]).
The SSB controls and monitors the religious side of IFIs transactions, services, and products. The Sharia'a board has to review all the decisions of the board of directors and top management to ensure their compliance with Shari'a. Also, it has to approve the articles of incorporation along with the entire policies, code of ethics and code of conduct. Furthermore, they authorize all the financial products and transactions and ensure their compliance with Shari'a. The SSB members have the right to appoint Shari'a internal auditor to monitor the day-to-day transactions and report directly to them (Al-Mahmoud [79]; Hamza [66]). If the SSB discovers that any transaction violated the Shari'a and that this transaction has generated revenue to the IFI, they separate this type of earnings aside and donate it to charitable organizations or spend it in any similar manner.
Thirdly, the SSB has a wide range of advising and counseling activities starting from the external environment where stakeholders, regulators, and central banks and going inside to instruct or advice the management and employees. The SSB is responsible for finding the religious proposals and suggestions for the financial transactions that might contradict with Shari'a. Furthermore, the board should reply all the investors' queries and clarify any ambiguity in any transactions. Meanwhile, the SSB should continuously guide and train the top management to apply the Islamic rules in the daily transactions and avoid any conflicts before going into any agreement with the investors. The CEO and top management of IBs have to provide all the information that might assist the SSB members

in applying Shari’a rules over the transaction/product regardless of the outcomes (Hamza [66]).
The failure to comply with the Sharia rules and principles determined by the SSB can hit asset values of IB with possible loss of investment or reinvestment income. The non-compliance with Sharia 'a can lead to the withdrawals and cancellation of investment contracts causing a decline in profits of IB. The non-compliance with the Sharia affects public confidence in Islamic finance and exposes the IB to the incredibility risk. Hence, the role of the SSB is central to IBs short term profitability and long term growth (Hamza [66]).

6 CG Mechanisms in UAE Conventional and Islamic Banks

Statistics on CG mechanisms used by each bank in the study, particularly internal CG mechanisms are presented in the following tables. For reasons of clarity, the following tables firstly present the governance mechanisms and other relevant data of every bank in the study.

Table 4 (A): Summary of CG Mechanisms used by UAE Conventional Banks

Governance Mechanisms	B1	B2	B3	B4	B5	B6	B7	B8	B9	B10	B11	B12
The Board of Directors	X	X	X	X	X	X	X	X	X	X	X	X
Executive Committee			X	X	X		X		X			
Audit and Compliance Committee	X	X	X	X	X	X	X	X	X	X	X	X
Nomination and Remuneration Committee	X	X	X	X	X	X	X	X	X	X	X	X
Credit Committee	X	X	X	X	X	X	X	X	X	X	X	X
Risk Management Committee	X	X	X	X	X	X	X	X	X	X	X	
The auditor	X	X	X	X	X	X	X	X	X	X	X	X
Asset Liability Committee			X				X			X		
Corporate Governance Committee	X										X	
Strategy and Transformation Committee	X											
The Financial Market												
The Market for Goods and Services												
The Labor Market												

Source: Adopted from UAE Conventional Banks' Annual Reports, 2014/2015

Table 4 (B): Summary of CG Mechanisms used by UAE Islamic Banks

Governance Mechanisms	B13	B14	B15	B16	B17	B18	B19
The Board of Directors	X	X	X	X	X	X	X
Strategy Execution Committee	X	X	X*				
Audit Committee	X	X	X	X	X	X	X
Remuneration Committee	X	X*	X	X	X	X	X
Nomination Committee	X	X*	X	X	X	X	X
Governance and Risk Policy Committee	X	X	X				
The External Auditor	X	X	X	X	X	X	X
Assets Liability Committee		X*	X*				
Credit and Investment Committee	X	X*	X*	X	X	X	X
FATWA AND SHARIA'A Supervisory Board (FSSB)	X(5)	X(4)	X(3)	X(4)	X(3)	X(3)	X(3)
The Financial Market							
The Market for Goods and Services							
The Labor Market							

Source: Adopted from UAE Islamic Banks' Annual Reports, 2014/2015
X* Management Committees

For good understanding and analyzing the information depicted by these tables, it is necessary to translate the information incorporated in tables 4 and 5 in histograms which facilities the reading and understanding of the results and makes it more relevant to identify characteristics of the corporate governance structures of banks.
CG mechanisms adopted by UAE conventional and Islamic banks need to be enhanced by other information that have a direct impact on the banks' corporate governance, including the ownership characteristics, the size of the board of directors, the percentage of external or non-executive directors on the board vis-à-vis internal or executive directors, and the case of dual direction, where the president of the board is him/herself the chief executive officer (CEO). This information provides a clear depiction of the independence of the board and therefore the effectiveness of its governance.

Table 5(A): Board Size, Independence and Ownership Structure of UAE CBs

Measures/Stand.	B1	B2	B3	B4	B5	B6	B7	B8	B9	B10	B11	B12
The Size of Board of Directors	11	7	8	11	9	11	6	7	7	8	11	7
Dual Direction	NO	Y	NO	NO	NO	NO	Y	Y	NO	NO	Y	NO
The number of Non-Executive Directors on the Board of Directors	11	6	8	10	9	11	5	6	7	8	10	7
The number of Executive Directors on the Board of Directors	Zero	1	Zero	1	Zero	Zero	1	1	Zero	Zero	1	Zero
Directors on Appointment*	GA	GA	GA	GA	GA	GA	GA	GA	GA	GA	GA	GA
Directors' Compensation*	GA	GA	GA	GA	GA	GA	GA	GA	GA	GA	GA	GA
Board Performance Evaluation	Board	Board	Board	Board	Board	Board	Board	Board	Board	Board	Board	Board
A total number of meetings during 2013	8		6	6	8	8	4	5	8	4	8	4
Ownership Structure (Government -Others**)	-GI 78 - Oth.. 22	-GI 80 - Oth. 20	-GI 52.7 - Oth. 47.3	-PI 76.5 - Oth. 23.5	-GI 55.6 - Oth. 44.4	-GI 20 - Oth. 80	-GI 86.4 - Oth. 13.6	-PI 87 - Oth. 13	-GI 55 - Oth. 45	-GI 60 - Oth. 40	-GI 59.4 - Oth. 40.6	100% Public-owned -

* GA (General Assembly)

** Others (Private Companies and/or Individuals)

Source: Adopted from UAE Conventional Banks' Annual Reports, 2014/2015

Table 5 (B): Board Size, Independence and Ownership Structure of UAE Islamic Banks

Measures/Stand.	B13	B14	B15	B16	B17	B18	B19
The Size of Board of Directors	7	8	7	9	7	9	7
Dual Direction	NO	NO	NO	YES	NO	NO	NO
The number of Non-Executive Directors on the Board of Directors	7	8	7	8	7	9	7
The number of Executive Directors on the Board of Directors	0	0	0	1	0	0	0
Directors on Appointment*	GA	GA	GA	GA	GA	GA	GA
Directors' Compensation*	GA	GA	GA	GA	GA	GA	GA
Board Performance Evaluation	Boa.	Boa.	Board	Boa.	Boa.	Boa.	Boa.
A total number of meetings during 2013	6	4	4	4	4	4	4
Ownership Structure (Government-Others**-General Public)	-GI . 60.5% -Oth. 39.5%	-GI 25% - Oth. 75%	-GI 100%	- GI 34.1% Oth. 65.9%	GI 59.79% Oth. 39.03	Noor Inves.Gr. 95.23 -Oh. 4.77	-GI 31.3 - KFH.20 -Oth. 48.7

* GA (General Assembly)
** Others (Private Companies and/or Individuals)
Source: Adopted from UAE Islamic Banks' Annual Reports, 2014/2015

6.1 Characteristics of Ownership

As per the shareholders model two components of the ownership structure, including ownership concentration and the nature of the shareholders may be the reason of the corporation performance. The ownership structure is considered to be an effective mechanism of control of management, when certain conditions are present, including capital concentration and nature of the shareholders (Fontaine et al. [20]). As shown in figures 1a and b, around 60% of the ownership of UAE conventional and Islamic banks is concentrated in government hands. Moreover, around 73% and 85% of ownership of conventional and Islamic banks respectively is held by large institutions, including government bodies and private companies. These highly concentrated ownership models in UAE banks, like those found in Germany may lead to weak minority shareholder protections and a higher concentration of voluntary disclosure requirements. Unlike, countries such as UK and USA with high levels of fragmented ownership, which tend to have stronger protections for minority shareholders and mandatory information disclosure requirements. (Williams and Mas [83]).

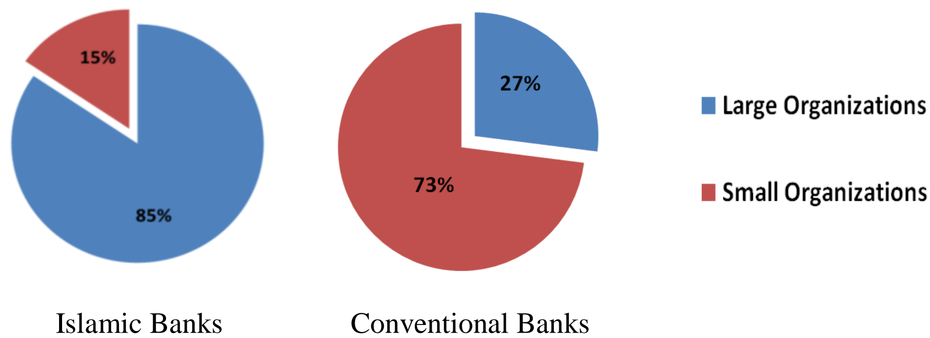

Figure 1a: UAE Conventional and Islamic Banks' Ownership Structure by Size

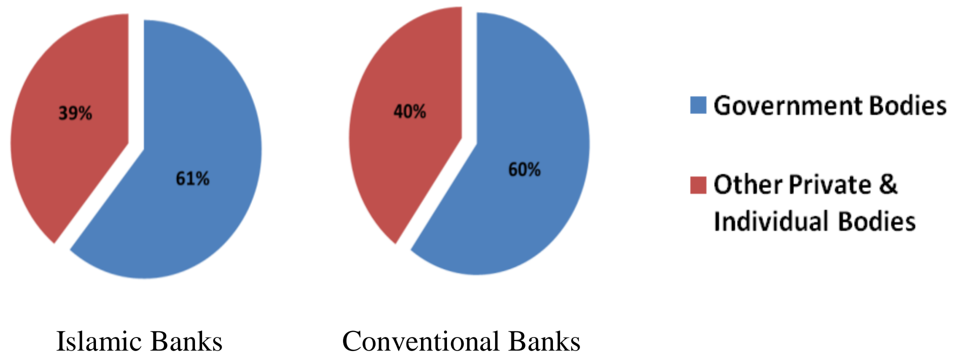

Figure 1b: UAE Conventional and Islamic Banks' Ownership Structure by Sector

There is an additional way of monitoring the activities of management provided by institutional investors. For example, (Mcknight and Weir [84]) indicate that institutional investors vote more actively on anti-takeover changes than do other shareholders, and that they are more likely not to accept suggestions that are not acting in the best interests of shareholders. Institutional investors have greater expertise and resources and can monitor management at lower costs than the average private shareholder. Large owners can be particularly important in corporate governance since not all owners are able and willing to control management, but assume that shareholders with large shares will monitor and control the management. More concentrated shareholdings by insiders provide a superior incentive and ability to monitor management and control over the board of directors (Mcknight Weir [84]; Bolton and Scharfstein [85].Hence, according to Gedajlovic and Shapiro [86], concentrated ownership is a powerful constraint on managerial discretion.

Based on the ongoing argument, the motivation of shareholders to monitor the management actions is based on their equity stakes, small or non-controlling shareholders have little or no motives to practice monitoring behavior. While, controlling shareholders have more incentives to control management and can do so more effectively monitoring behavior (Shleifer and Vishny [4];Shleifer and Vishny [10]; (Hart [12])). In general, the

bigger the number and amount of stocks that owners have, the stronger their motives to monitor and protect their investment. The large institutional investors play a crucial force in corporate monitoring and protecting the interests of minority or non-controlling shareholders. In USA, the large institutions play a central role in pursuing greater board independence and in choosing the lead directors for chairman post in companies in which they invest their fund (Hashim and Devi [87]). Gillan [88]) indicated institutions that hold large equity stakes in a company are involved actively in orienting the company's strategic direction.

In short, the ownership structure of UAE conventional and Islamic banks which are characterized by the ownership concentration and the domination of institutional ownership can act as an additional corporate governance mechanism to control and monitor management activities and actions and to ensure shareholders' interests.

6.2 Board Characteristics of UAE Conventional and Islamic Banks

The effectiveness of the board of directors for banks, as well as for other business sectors does not rely on the existence of the board, but rather its ability to pursue its roles. This ability of the board depends on many variables, including its size, composition, board presidency, directors' nomination policy, the evaluation of boards' performance and executive compensation policy. Due to the lack of information on senior managers' compensation packages in banks' annual reports or in other published documentations, executives' compensation policies are not considered as one of CG mechanisms used by these banks. The analysis of boards' independence and effectiveness will be based on the board size, composition and presidency. The composition of boards of directors, precisely the proportion of non-executive directors (NEDs) is a measure of board effectiveness and independence. Boards which have a majority of independent directors or NEDs are considered to be more independent and credible than others. On the other hand, regarding the board duality; the board is considered to be more independent when its president is not the CEO of the bank. The following sections present a comprehensive analysis of the board size, composition and the dual direction of UAE conventional and Islamic banks.

6.2.1 Board Size

With regard to the size of the boards of directors in UAE banks, the article 95 of the commercial code of companies No.8 of 1984 provides that the company should be administered by a board of directors composed of at least three members and maximum fifteen members. As shown in figure 2a, results revealed that 33.3% of conventional banks opted for the highest number of board members namely 11 members, 8.4% of these banks have chosen a board of 9 members, 16.7% opted for a board of 8 members, 33.4% opted for a board of 7 members and 8.3% of conventional banks have chosen a board of 6 members. In sort, the average number of members per board is almost 9 members in conventional banks.

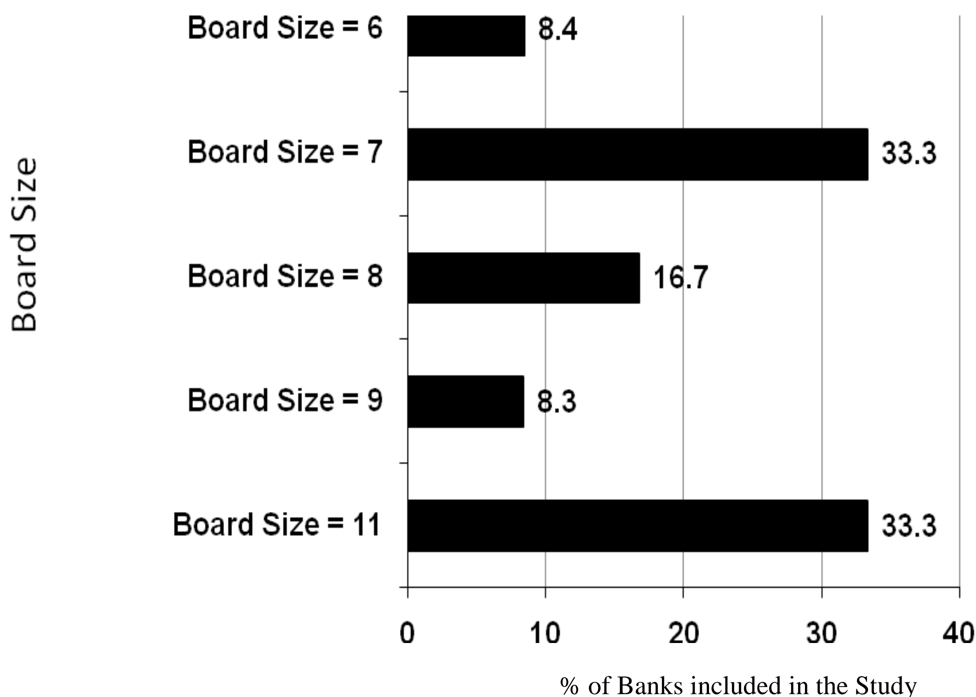

Figure 2a: Board Size in UAE Conventional Banks

Board size is considered to be the crucial factor of the effective decision making. Vafeas [89]) suggested that there is no direct relationship between the board size and its performance. Both too small and too large of the board size is likely to make it ineffective. (Jensen [90]) argued that the ideal board size should not exceed eight or nine members and claimed that the board will be less effective when its size is more than seven or eight members due to the coordination and process problems that contribute to weak monitoring. Although Bozec and Dia [91]) indicated that the board size for state-owned enterprises has a positive relation to technical efficiency, since bigger boards may be constructive for some companies as they provide diversity that would help companies to secure critical resources and reduce environmental uncertainties. However, other studies have indicated that small boards are more effective and linked with higher market values because the board members can communicate better among themselves, as well as easy to manage (Goodstein et al. [92]). Figure 2b revealed that 28.6% of IBs opted for 9 members, 14.3% of the IBs have chosen a board of 8 members and the highest number of IBs (around 57% of banks) has chosen a board of 7 members. In other words, the average number of members per board is almost 8 members in Islamic banks.

To conclude, the average number of members per board is almost 9 members in CBs and 8 members in IBs, which are considered to be average board size as per the previous studies. Furthermore, other previous studies concerning the private firm have found a negative relationship between board size and company value as a consequence of the increase in agency problems triggered by the presence of a greater number of directors, which leads to less effectiveness in management control (Andres et al. [93]). The larger board size increases problems in communication and coordination and thus decreases the

ability of the board to control management. It becomes more symbolic rather than being a part of the management process. The average number of members per board in UAE conventional and Islamic banks is consistent with the effective average board size as per the previous studies (Jensen [90]; Bozec and Dia [91]). The average boards size in the studied banks make these boards more effective with regard to coordinating functions and monitoring management activities.

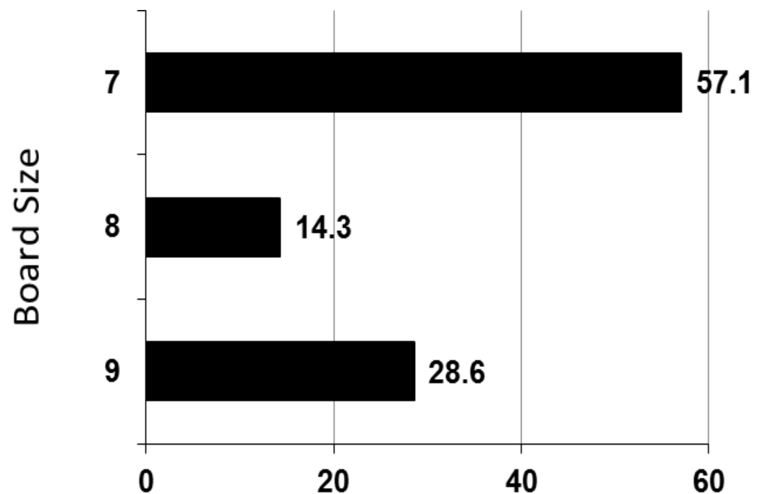

Figure 2b: Board Size in UAE Islamic Banks

6.2.2 Board Independence

The board independence is measured by two variables; the proportion of non-executive directors (NEDs) versus executive directors (EDs) who are full-time employees of the firm on the board and the chief executive officer (CEO) duality (Weir et al. [94]). Boards with a significant proportion of NEDs can limit the practice of managerial discretion by exploiting their monitoring ability and protecting their reputations as effective and independent decision makers. In the meantime, NEDs are required to provide independent assessment such as pay awards, executive director appointments and dismissals when dealing with the executive directors. An independent board of directors is believed to be a crucial mechanism for an effective control of management actions; these directors could be expected to be advocates of the shareholders' objectives (Fama and Jensen [11]). Boards dominated by NEDs may help to ease the agency problem by monitoring and controlling the opportunistic behavior of management since they (1) ensure that managers are not the sole evaluators of their own performance and (2) influence the quality of directors' decisions due to their independence, expertise, prestige and contacts and (3) they concern with maintaining their reputation in the external labor market (Jensen and Meckling [3]; Pearce and Zahra [95]; Fama and Jensen [11]). Figure 4a presents the results of our study about the independence of both the boards of conventional and Islamic banks in the following graph:

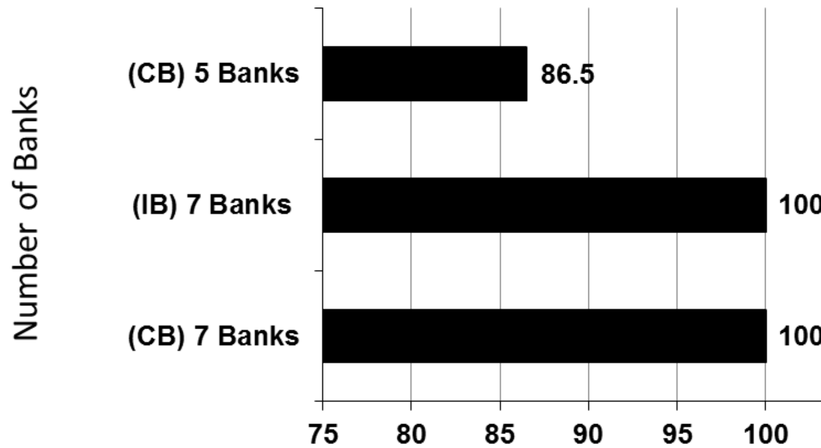

Figure 3a: Board Independence in Conventional (CBs) and Islamic Banks (IBs) in UAE (Executives–Non-Executives Directors)

As shown in figure 3a, the vast majority of conventional banks' boards of directors are NEDs (100% of board members are NEDs in seven banks and 86.5% of board members are NEDs in the other five banks). With respects to Islamic banks, results revealed that all banks' boards of directors in the seven investigated banks are NEDs. Accordingly, only in five out of the twelve conventional banks, there is one member on the board is EDs. In average, the percentage of NEDs on banks' boards of directors is 95%, and 100% in CBs and IBs respectively.

Many studies argued that boards dominated by NEDs are more likely to act in the best interests of shareholders. Fama and Jensen [11] indicated that reputation concerns, fear of lawsuits and the market for their services motivate NEDs to be effective monitors of the board’s decisions. (Brickley et al. [96]) found that boards take account of ability, based on previous performance, when appointing outside directors. NEDs are linked with the responsibility to monitor managers and limiting agency problems that occur from the separation between ownership and control in day-to-day management. (Fama and Jensen [11]) suggested a greater proportion of independent NEDs in order to monitor any self-interested actions by executive directors and to minimize the agency cost. Therefore, higher proportion of NEDs on boards is expected to lead to a more effective monitoring function which then results in more reliable financial statements (Fama and Jensen [11]).

However, few other studies found opposite results. They argued that NEDs are usually characterized by lack of information about the nature of business, do not bring the required skills to the job and, hence, prefer to play a less confrontational role rather than a more critical monitoring one (Franks et al. [97]). It is believed that the NEDs may not be able to exercise power, partly because they lack the superior information hold by EDs and partly because of time constraints as a result of multi-company independent outside director appointments. In addition, NEDs may lack professional knowledge about each business or the ability to monitor actions of the management. The EDs are better placed for evaluating company management. Moreover, the EDs benefit the company because of the extent of their firm specific information Raheja [98]).

Board members are elected by shareholders during the annual meeting of the General Assembly. NEDs are committed to inform the board of any circumstance, which may

influence their independent standing. The nominations committee is responsible for proposing appropriate candidates for the shareholders to consider for election. All board members serve a maximum term of three years, and they are allowed to be re-nominated for one term more at Annual General Meeting. As the Articles of Association fixes the number of board directors, the board may also appoint new directors to fill vacancies arising during the year, who must seek re-election at the next Annual General Meeting (Articles 95 to 118 of the UAE Commercial Code of the Companies [99]).

The second variable that measures the board independence and effectiveness is the board duality. The duality of direction refers to the person who has two powerful positions; the chairman of the board and the CEO, which would result in probability that this person hides unfavorable information to outsiders. It is because a chairman has a responsibility to monitor the directors on the board as well as the CEO. Besides, it also enables the CEO to engage in opportunistic behavior since he/she has dominance over the board. When CEO duality exists, the CEO's decisions and actions may be directed to achieve his/or her own interests at the expense of the interests of the shareholders. In the UAE, there are no mandatory rules for the separation of roles between both chairman and CEO. The adoption is recommended in the UAE Code to separate the roles of chairman and CEO. The board is considered independent when its president is not the CEO of the company. As shown in figure 3b, only around 33% of UAE conventional banks have dual roles as chairman or vice chairman of the board of directors and CEO. While, there is no dual roles in the seven Islamic banks. So, there is a desire to make the control in banks more effective and rigorous.

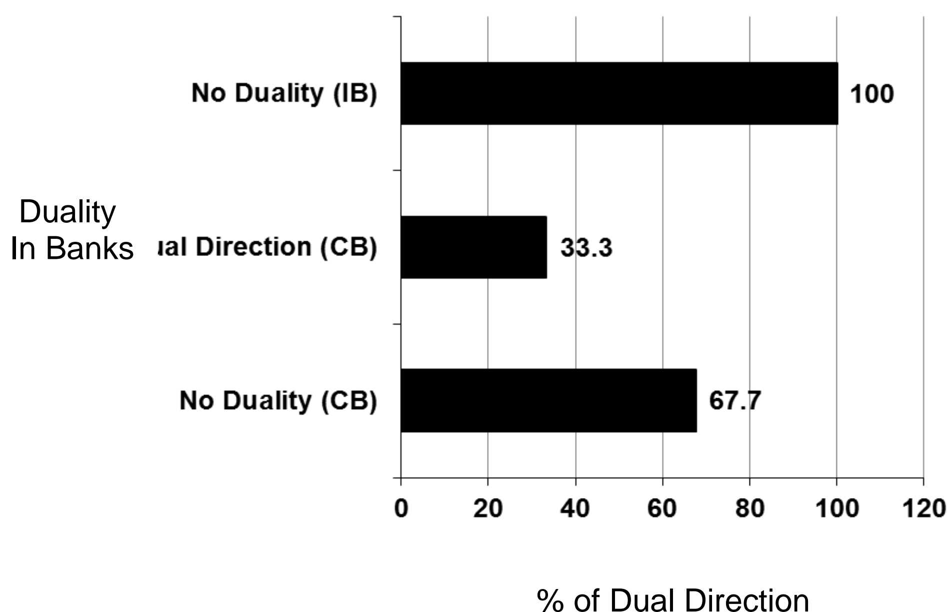

Figure 3b Board Independence in Conventional (CBs) and Islamic Banks (IBs) (Duality Direction)

Duality of direction limits the board independence and leads to decrease the board performance because of the difficulty to dismiss an inefficient CEO who creates agency

costs due to his individualistic behavior at the expense of shareholders (Fama and Jensen [11]). The chairman manages and evaluates the board performance, ensures the execution of strategies and enhances the company's image and goodwill. While, the CEO is charged with managing the company's operations, providing leadership, financial performance, preparing strategies, plans, objectives, and communicating to the investors. The separation between the role of the CEO and Chairman is crucial in easing problems relating to corporate governance practices in companies (Brickley et al. [96]). Having multiple roles will lead to difficulty in the implementation of their respective roles and lead to mismanagement. (Jensen [90]) indicated that having separation between the CEO and chairman of the board creates independence and increases the effectiveness of the board.

Based on the Stewardship model, (Brickley et al. [96]) argued that the CEO duality enhances the company and leads to better firm performance. The separation between the CEO and chairman makes it difficult for the CEO to make decisions favorable for the shareholders. According to this model, duality of direction can comprise certain advantages linked with the unification of leadership and a great knowledge of the company's operating environment that should affect positively the firm performance. More specifically, duality of direction can help to (1) enhance decision making by allowing a sharper focus on company objectives and promoting more rapid implementation of operational decisions and (2) shape the destiny of the company with minimal board interference, which could also lead to improved performance resulting from clear, freed leadership of the board (Brickley et al. [96]).

As per the foregoing argument, this study can conclude that boards of directors' characteristics of UAE conventional and Islamic banks are increasingly opting for a more independent board capable of protecting the interests of shareholders and discipline of managers. Results confirm the particularity of the banking sector, which is a highly regulated industry regarding the mechanisms of corporate governance vis-à-vis other business sectors.

6.2.3 Board Performance Evaluation

The purpose of the board performance evaluation is to assist the board achieve its objectives more effectively. Boards should consider the issues that are appropriate to their own and the bank's circumstances. This guideline does not deal with individual director appraisal but banks are encouraged to move in that direction to comply with best international practice.

As per the UAE Central Bank guidelines, board evaluation tends to break down into people and process factors. Following are some specific performance measures or standards upon which the UAE banks' board performance is evaluated (UAE Central Bank, Corporate Governance Guidelines [77]):

- Setting and implementing clear performance objectives;
- The board's contribution to strategy development;
- The board's contribution to ensuring effective risk management;
- The coordination between the board directors and the CEO;
- The board response to any problems or crises;
- The effective relationships between the board and its committees?
- Pursuing updated regulatory and market developments;
- The ability to obtain appropriate and timely information of the right length and quality;

- The right time duration of board meetings to enable proper consideration of issues;
- Setting appropriate board procedures for effective performance.

In most of UAE conventional and Islamic banks, the evaluation of the board performance takes place on an annual basis. The evaluation process expands to include the board and its committees, both in terms of their internal performance by members collectively and how the committee performs from the perspective of the board. For instance, in 2013, the NBAD' board members were requested to complete a comprehensive questionnaire comprising a range of performance measures and standards on issues such as: board roles and responsibilities; board and committee structure and skills; meetings; decision-making; committee scope and performance; and the interaction between the board and senior management. Interviews with the directors have been conducted to obtain additional feedback. The 2013 evaluation was designed and carried out by an external advisor. The results from the evaluation was considered by the nomination committee, and presented to the board with recommendations for future corrections developments and potential topics and options for expanded evaluation in following years (NBAD Annual Report [75]).

6.3 The Sharia'a Supervisory Board (SSB)

The SSB is central to Islamic banks success; it plays a fundamental role in monitoring and ensuring the IBs compliance with Sharia principles. In practice, the Sharia governance framework is more decentralized in the GCC countries, including the UAE (Hamza [66]). According to this decentralized approach, there is no central national SSB at the level of central bank, but each Islamic bank has its own SSB which decides on the compliance of products offered with Sharia governance. The acceptability of contracts and Sharia'a compliant financial products is decided at the level of these institutions by their own Sharia Committee (Hamza [66]).
While in other countries, such as Malaysia, Pakistan and Sudan, a centralized Sharia'a governance model is practiced. According to this centralized approach, there is a central SSB at the state level, attached to the Central Bank, which decides on the conformity of products and activities of all the IBs. Each IB shall have its own SSB, but it must comply with the rules and regulations set by the central SSB. The existence of a SSB in the Central Bank shall reduce the differences of interpretation, but does not mean that the Central Bank shall impose its own opinions views, which are driven from open debate (Chapra and Khan [100]).
The first law governing Islamic banks' activities in the GCC was issued and implemented in the UAE in 1985. As per the Article 6 of this law, each Islamic financial institution should establish its own Sharia Supervisory Authority to ensure that all activities, transactions and practices comply with Sharia 'a rules and principles. (Art. 5, Federal Law No. 6 of 1985).
As shown in figure 4, results revealed that 28.6% of IBs opted for a SSB of 4 members, 14.3% of these banks have chosen a Sharia'a board of 5 members and 57.1% of UAE Islamic banks have chosen a Sharia's Supervisory Board of 3members. In other words, the average number of members per SSB is almost 3.6.

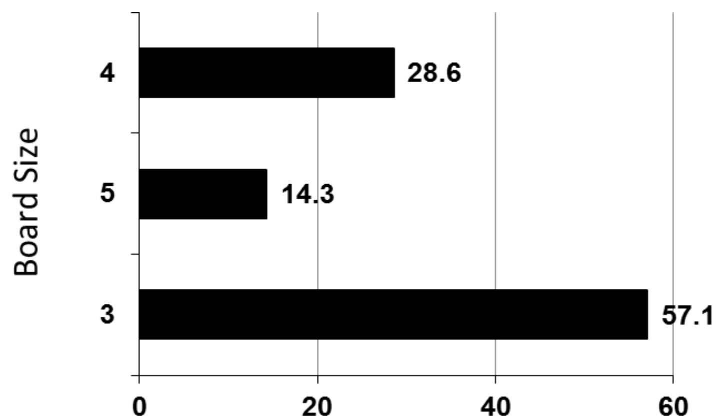

Figure 4: SSB size in UAE Islamic Banks

According to the AAOIFI Governance Standards for Islamic Banks, SSB is an independent body responsible for directing, reviewing and supervising the activities, transactions and practices of Islamic financial institutions in order to ensure that they are in compliance with Islamic Sharia 'a rules and principles. The AAOIFI Governance Standards require at least three members on the board. As figure 6 indicated, the average number of members per SSB in UAE Islamic banks is almost 3.6, which are considered to be in alignment with the AAOIFC governance standards (Hamza [66]).

Given that the members of SSB are appointed and remunerated by the IB, which is potentially could create a conflict of interest with board of directors and managers. In this case SSBs cannot be completely neutral and independent. Therefore, if the Islamic banking system is not perceived as Islamic, existing IBs will soon lose much of their markets. It is extremely important for the board of directors and managers to understand clearly the role of Sharia 'a governance and acknowledge the independence of SSB. If there is an influence from board of directors or managers this will compromise the governance process and undermine the Sharia 'a decision. The integrity of the SSB is possible in case of owning and exercising full independence in the achievement of their missions. This independence enhances the credibility of the IB with public, investors and companies. This independence is one of the key drivers of good governance. The appointment and the remuneration should be done by another body like central bank or government to ensure the independence of the SSB (Bin Ibrahim [101]; Hamza [66]).

Another measure of the SSB independence is the confidentiality of information, particularly if SSB members work in more than one financial institution. In this case, the confidentiality of IBs information and documentation about transactions, operations and activities must be preserved. Moreover, with the possession of this sensitive information, the SSB members may find themselves more powerful than managers and board of directors and this will potentially create another type of conflict of interest. So if confidentiality is compromised, IBs should take appropriate corrective actions to protect their own interests (Hamza [66]).

6.4 Board Committee Structure

With respects to the impact of committees, (Vafeas [89]) found that there is a link between the presence of board committees and board effectiveness. The establishment of board committees is an effective means to transfer many activities of the board into specialized groups of directors that will focus on specific subject functions concerning the operations of the corporation. Hence, a greater number of committees would involve greater involvement of the board members, which would lead to greater effectiveness of the board (Sanchez [37]). In general, the board of directors has overall responsibility for directing banks' affairs, to create and preserve value, and to protect shareholders' and other stakeholders' interests. In all banks under investigation, the roles and responsibilities of the board has documented in a board charter and associated policies. Banks' boards have established a number of committees, each is considered an integral part of the board and whose members are directors of the board. The vital role of these committees is to address topics in more detail, to manage conflicts of interest, to satisfy regulatory rules, and other relevant activities as necessary to ensure the proper corporate governance of banks (Vafeas [89]).

This study shows that all UAE conventional and Islamic banks have board of directors, a permanent audit committee and a credit committee. Certainly, these mechanisms are obligatory in the banks. Additionally, there are some other mechanisms that are not exclusive to banks, such as the board of directors, the auditor, nomination committees and remuneration committees. Other committees exist in few banks, such as strategy and transformation committee, risk management committee, corporate values and code of ethics, asset liability committee and corporate strategy and decision making process. Furthermore, there is another mechanism, which is exclusive to Islamic banks namely Sharia's Supervisory Board (SSB).

In UAE banks, the board of directors is governed by articles 95 to 118 of the UAE commercial code of the companies, No. 8 of 1984 and its impediments published in law no 26 of 1988. These items cover the composition, the appointment of members of the board, their rules and activities. Similarly, the commercial code of companies determines the role of the auditor. In addition to, the different accounting standards and circulars of the central bank relative to the establishment of credit obliged, which requested from every credit institution to create a standing committee of internal audit. Moreover, these circulars forced many banks to create a permanent audit committee. In fact, effective supervision of banking institutions is essential to give their central role in payment transactions, credit and bankruptcy propagation from one bank to all other banks, even performing ones. Figure 5a and b show the different obligatory and optional governance mechanisms used by conventional and Islamic banks.

Furthermore, there are other mechanisms of great importance; the permanent audit committee, the auditor and the credit committee. The permanent committee of internal audit, whose role was defined by UAE Central Bank Circular of June 2006 for credit institutions, is to receive and consider reports and recommendations from management and to make recommendations to the board in respect of the financial reporting, systems for internal control and both internal and external audit processes of the bank. There is a growing awareness in some banks that internal control is one of the pillars of competitiveness. The main duty of audit committee is to meet the external auditors regularly to review financial statements, audit processes and internal accounting system and control. Therefore, the audit committee ensures that there is continuous

communication between the board and external auditors. In the UAE, Abu Dhabi and Dubai stock exchange listing requirements mandate every listed company to establish an audit committee. The independence of audit committee is based on proportion of independent NEDs on the committee. This independent audit committee will increase the effectiveness and efficiency of the board in monitoring the financial reporting process of a company. According to the agency theory, the independent members in audit committee can help the principals to monitor the agents' activities and reduce benefits from denying information. This the case in UAE conventional and Islamic banks, whose audit committees dominated by NEDs, driven from the fact that the proportion of NEDs on banks' boards is 95% and 100% respectively, as indicated above.

While, the credit committee, namely credit and investment committee in some banks is one of the committees that is established by the board of directors and whose major responsibility is to review the quality of the bank's credit and investment portfolio; supervising the effectiveness and administration of credit-related policies; and approving loans and investment above management limits.

Most if not all UAE banks have remuneration and nomination committees (namely human resources committee or compensation, nomination and remuneration committee in some banks), which focus on ensuring that director appointments and compensations are based on merit rather than on social network. An effective nomination committee should therefore ensure that NEDs interests are aligned with those of the shareholders and so help reduce agency costs. While, a remuneration committee must ensure that strategic human resources' selection, performance pay schemes, policies and framework are aligned with banks strategies and policies. Also, the remuneration committee must ensure that appointment, promotion, remuneration, retirement and dismissal of senior management are made on merit and performance evaluation, and high level succession planning is made properly.

Around 75% of conventional banks and a half of Islamic banks have a risk management committee or governance and risk policy committee, which review and approve the bank's key risk policies on the establishment of risk limits relating to operational and information security risks and receiving reports on the compliance with significant limits. It is responsible for reviewing the bank's regulatory risk capital (credit, market, liquidity and operational risks), including significant inputs and assumptions. It is an active committee with delegated decision-making authority on the strategic risk issues.

Some conventional and Islamic banks (25% and 28.5%) respectively have asset liability committees. It plays a key role in evaluating and reviewing all inter-bank counterparties and their relevant limits and assesses the bank's appetite/requirement for investment instruments and recommends purchasing, repurchasing, holding, or selling investment instruments (RAK Bank Annual Report [102]; FGB, Annual Report [103]).

Other committees exist and play a crucial role in some of UAE conventional and Islamic banks (17%) and 43% respectively), such as corporate governance or governance and Risk policy committees. It is responsible for supervising the preparations and updates of the Code and assures that the bank keeps high standards of corporate governance. Driven from these banks' annual reports, this committee oversight and review the following (NBAD, Annual Report [75]; ADCB, Annual Report [104]):

- The Bank's governance charters, policies and practices;
- Board size and composition and its committees relative to the responsibilities of each;
- Director independence;
- Allocation of responsibilities to the directors and committees;

- Board membership and management of subsidiaries;
- The measures to implement accepted culture and ethics within the bank;
- CG best practices and recommendations for the bank's development plan;
- The bank's corporate sustainability incentives.

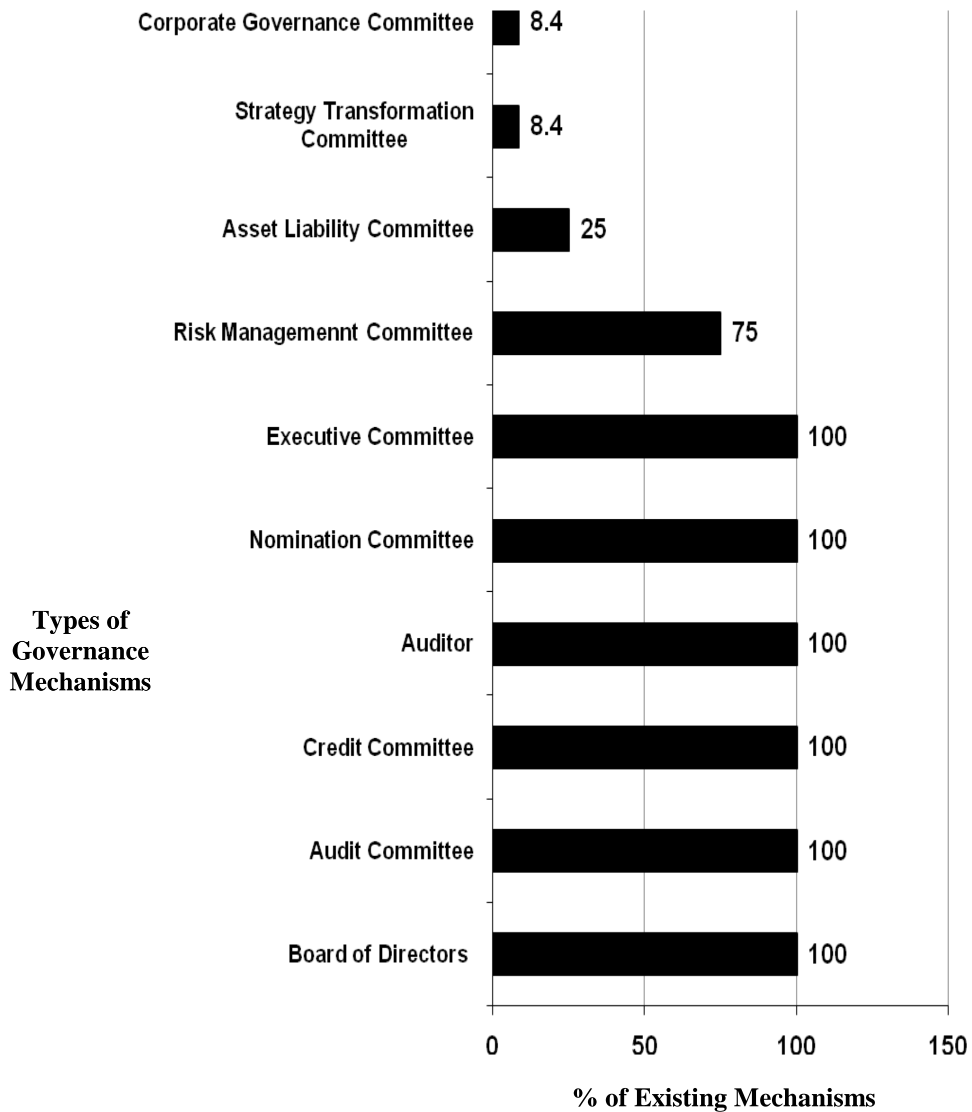

Figure 5a: Corporate Governance Mechanisms Adopted by UAE Conventional

Finally, a leading bank, such as NBAD has developed strategy and transformation committee which is responsible for helping the board in executing the bank's strategy and related transformations, expansion, acquisition strategy and reviewing and evaluating major external developments and factors related to senior staff (NBAD, Annual Report, [75]).

The abovementioned analysis of the board activities, including the existence of board committees and their roles, authorities and responsibilities indicated that all UAE conventional and Islamic banks under investigation have committees forced by the laws and regulations, such as audit and credit committees. While, many banks have other committees created voluntarily to strengthen corporate governance systems in these banks such as risk management, nomination and remuneration committees. Furthermore, the board committees are increasingly more independent due to the domination of NEDs on these committees.

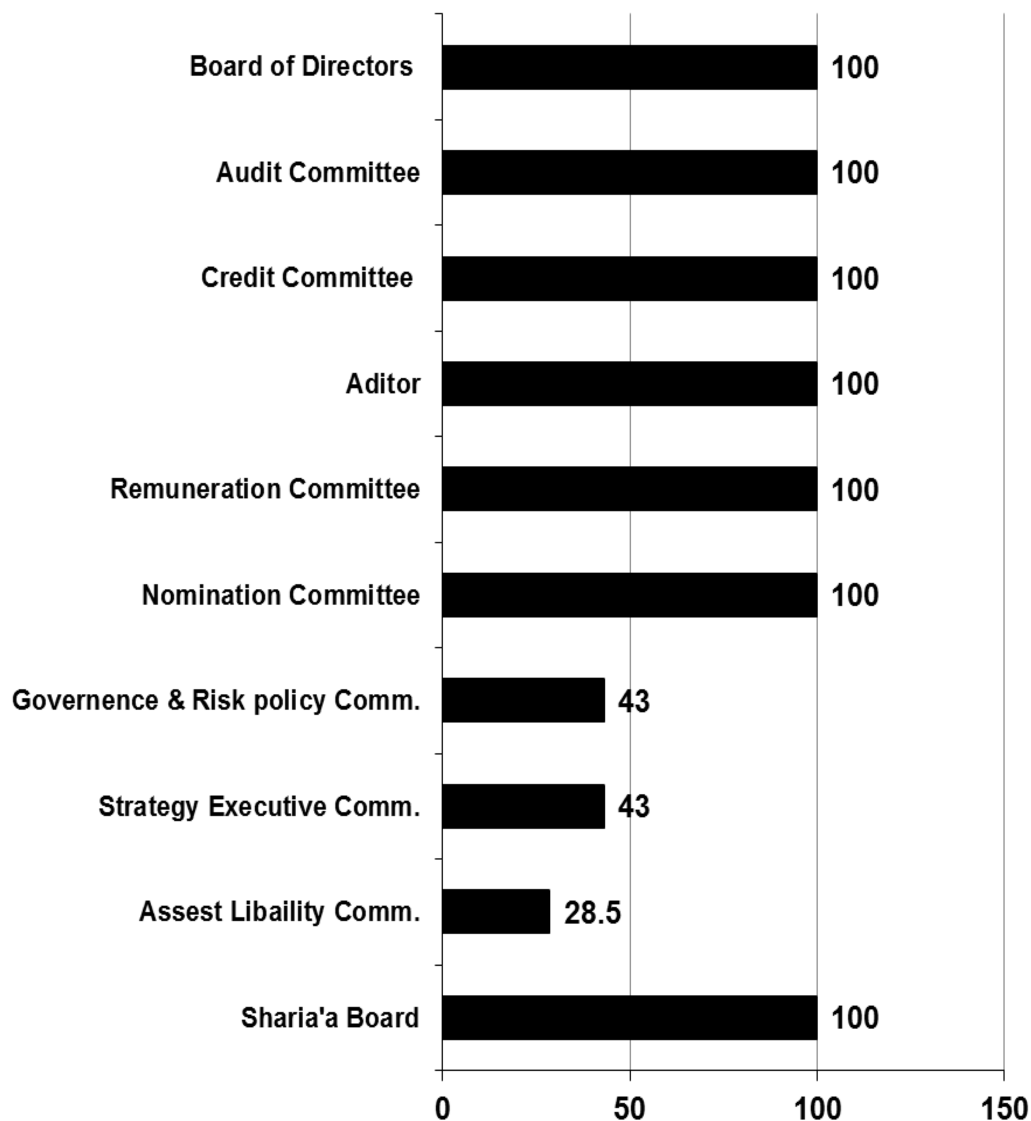

Figure 5b: Corporate Governance Mechanisms Adopted by UAE Islamic Banks

6.5 The Role of External CG Mechanisms in the Banking Sector

The profound analysis of UAE conventional and Islamic banks' annual reports showed that most of these banks have no information about external governance mechanisms. Nevertheless, it does not mean the absence of any role of these mechanisms in the corporate governance of the banks. This finding emphasizes the importance of internal governance mechanisms vis-à-vis the external governance ones in the banking sector (Damak [8]). The discipline exercised by external governance mechanisms is ineffective because of the high opaqueness. It affects relationships between managers and board of directors in the bank. Similarly, it can affect the relationship between stakeholders and other partners of the bank, including creditors, depositors and regulators. Other characteristics of the banking sector may explain the dominance of internal mechanisms for reporting to external mechanisms, for example competition in the services market is low at banks, given that managers establish barriers to access to information needed by developing a mesh of relationships with their customers (Levine [72]).
Competition among banks is limited by the shareholding of the State that holds significant shares in the capital of these banks and important shareholding of families which also prevents the entry of new competitors. Thus, foreign investors would be less willing to compete with local banks. The efficiency of the stock market is also weakened by the presence of the regulations and the high gratitude of banks (Levine [72]).

7 Conclusions

CG is linked with the evolution of modern business and the separation between ownership and control. CG does not only concern the shareholders and managers. But, it expands to include all the relationships that managers have with stakeholders, including employees, suppliers, customers, creditors, depositors and shareholders. It was necessary to start the paper by presenting the theoretical backgrounds of the CG; since there is a huge need to understand the ability to provide the remedy. The need is driven from the conflict of interests between managers and stakeholders, especially shareholders. These conflicts lead to unfavorable implications for the firm. The appropriate remedy could be a system of corporate governance comprising internal corporate governance mechanisms such as the board of directors, the audit committee, the auditor, the credit committee the executive committee and external mechanisms that are mainly the financial market, the market of goods and services and the labor market of managers. However, the presence of one or more of these governance mechanisms is not in itself a guarantee of efficiency. Hence, the effectiveness of the board of directors and the board committees depends on its size, composition (NEDs and EDs), presidency, roles, authorities and responsibilities.
This exploratory study revealed that most of CG mechanisms adopted by UAE conventional and Islamic banks are those that forced by the laws and the regulations, all banks under studying have a board of directors, an auditor, an audit committee, credit committee and an executive committee. However, many banks have other committees created voluntarily to enhance corporate governance structures in these banks such as risk management committee, and nomination and remuneration committees. UAE conventional and Islamic banks' boards of directors and SSBs are increasingly more independent, particularly with the prevalence of NEDs on the board, and the lack of the duality of direction. Additionally, results indicated the importance of internal governance

mechanisms versus external ones in both CBs and IBs. Furthermore, findings indicated the absence of any significant differences between CBs and IBs in terms of CG mechanisms adopted by these banks, with the exception of the existence of a complementary mechanism (SSBs) in IBs. Finally, the study reflected that significant improvements have been made by UAE banks regarding corporate governance, but more efforts remains to be done, such as the full transparency of banks' activities and complete accountability. In addition to, the need of UAE banks to opting for specific performance measures and standards for evaluating the board performance.

8 Future Research

This study explores corporate governance mechanisms adopted by the UAE banking sector, including conventional and Islamic banks. It focused on internal corporate governance mechanisms due to the lack of information on external governance norms in banks' annual reports and other published documents. This study investigated similarities and differences between CBs and IBs in terms of CG systems used by these banks. Accordingly, other research themes on CG can need to be examined in the future, such as the degree to which these banks adhere to external corporate governance mechanisms, the relationship between corporate governance mechanisms used by UAE banks and the bank performance, corporate governance mechanisms opted for by banks across Gulf countries. Additionally, one of the corporate governance themes that need more exploration and investigation is corporate governance in UAE and Gulf family businesses; particularly the empirical research in this area is so limited. Furthermore, the actual behavior of banks, in terms of measures such as performance, efficiency, financial structure, transparency, accountability and disclosure need further investigation.

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Dear Eman,

First of all, thanks a lot in advance for your time, efforts and interest. Second of all, the following simple information required:

1- Board of Directors:

1.1 The Size of Board of Directors (numbers)
1.2 Dual Direction (is there any one on the board works as a manager or CEO)
1.3 The number of Non-Executive Directors on the Board of Directors
1.3 The number of Executive Directors on the Board of Directors
1.3 A total number of meetings during 2015

2- Board Committees:

2.1

2.2

2.3

2.4

3- The size of Fatwa and Sharia'a Supervisory Board (just numbers)

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