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Board Response to Transnational Regulation on Corporate Governance: A Case Study on EU Banking Regulation

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Abstract: How does a board of directors respond to stringent transnational regulations on corporate governance? We explore this question in a case study that includes interviews with key governance actors of a bank dealing with regulatory changes in the European Union (EU) initiated in 2010 in response to the financial crisis of 2007–2008. Our findings suggest that transnational regulations introduced a conflicting prescription to the directors, who were caught between two needs: existing local governance practices and transnational regulatory compliance. Contributing to the international corporate governance research, our findings corroborate the resistance to transnational regulations and the distrust attributable to boards of directors' role struggles and the invasive accountability mechanisms introduced by such regulations. We, therefore, contribute to the ongoing discussion on how the conflicting layers of corporate governance—local versus global—and how the discontinuities between competing existing practices and the prescriptions of transnational regulations can provoke micro-resistance.

Keywords: financial institutions; board of directors; corporate governance; qualitative case study; transnational regulations

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1. Introduction

In this study, we focus on the increasingly important topic of transnational regulations on corporate governance, and more specifically, banking regulations instituted by the European Union (EU) under Basel III. We examine how these under-contextualized regulations encounter local resistance from boards of directors of regulated firms arising from the tension between local regulatory needs and EU-level regional regulations (Avtonomov 2023). Such under-contextualized regulations may result in suboptimal corporate governance arrangements (Cioffi 2009), where regulatory prescriptions become either a box-ticking exercise (Karlsson-Vinkhuyzen and Vihma 2009) or a scapegoating device for failures (Michael 2006), despite the good intentions of regulators. The costs and competition imbalances spurred by transnational regulations may affect firms in specific geographies and, eventually, GDP, thereby fueling a distrust of the EU itself (Cojanu 2013; Kaltenthaler et al. 2010). Therefore, it is of utmost importance to explore boards of directors' response to transnational governance regulations, as they may uncover tensions between transnational regulatory intentions and local, i.e., national- and firm-level governance practices (Aguilera et al. 2008; Hooghiemstra and van Ees 2011).

Extant comparative corporate governance research has highlighted the tension between the prescriptions of international regulations/standards and the local governance practices of firms (Grosman et al. 2019; Khanna and Palepu 2004; Quaglia and Spendzharova 2017). In doing so, much of this research has described regulatory prescriptions as shareholder-centered convergent demands from different institutions (Aguilera et al. 2018; Jackson and Deeg 2008) and homogenized corporate governance practices as a unitary response from firms (Aguilera and Grøgaard 2019; Aguilera and Jackson 2003). Questioning these two broad assumptions, emergent research has started uncovering the heterogeneous nature of prescriptions (demands) from multiple international regulations/standards (Cumming et al. 2017; Haxhi and Aguilera 2017) and non-unitary firm responses composed of responses from multiple governance actors, such as owners, boards, managers, and even employees (Aguilera et al. 2018, 2019).

However, much of the emerging research on heterogeneous demands from multiple international regulations/standards and non-unitary responses from firms has focused on emerging countries (Bhaumik et al. 2019; Fainshmidt et al. 2018) or governance regulations and standards conferring some discretion to firms regarding the extent of adoption (Cumming et al. 2017; Djelic 2011; Haxhi and Aguilera 2017; Hooghiemstra and van Ees 2011). Contrasting with this extant research, we look at a special case of the transnational regulation of corporate governance[1] that was imposed on Systemically Important Financial Institutions (SIFIs)[2] of the EU after the global financial crisis of 2008–2009. This regulation, focused on SIFIs, includes not only changes from local to transnational regulation but also includes a change in the supervisory authority from a national to an EU level. The responses, including resistance and conflicts in interpretations within SIFIs, are crucial to understanding whether this regulation and ultra-national supervision are successfully adopted and whether the regulation's purpose is achieved.

Moreover, corporate governance research shows that transnational governance regulation in Europe has changed the scope of corporate governance, often shifting to a shareholder-centered governance mode during the last two decades (Horn 2012). This regulatory shift, however, stands in stark contrast to the existing European corporate governance practices, which rely on the prominence of internal stakeholders, i.e., majority owners, or representation from cooperative entities (Aguilera et al. 2018; Cornforth 2004; Enriques and Volpin 2007). The new transnational regulation within the EU consists of mandatory EU-level binding regulations and directives guiding national-level legislation. In addition to regulations and directives, detailed implementation guidelines explaining both regulations and directives were also issued, which were strictly applied by the EU-level supervisory authority, the European Central Bank (ECB). Such stringent regulation and transnational supervision aim to reduce deviations of firm-level corporate governance practices from the regulatory-determined corporate governance standards and limit the discretion of firms in choosing practices that fit their needs (Aguilera et al. 2018). However, scant attention has been paid to the exact prescriptions and approaches in transnational regulations that lead to distrust within regulated entities, as people blame regulations for a loss of freedom (Nesteruk 1999) or use laws as a scapegoat for bad behavior (Painter-Morland 2007).

To further explore how specific prescriptions of transnational governance regulation may fuel distrust, we conducted a case study, including analyses of archival data and interviews with key governance actors of our case bank[3] located in Northern Europe: executive directors, board members, consultants, and representatives of the national supervisory authority. Since our case bank operates as a cooperative legal entity, its supervisory board consists of heavy representation from internal stakeholders, and its role is heavily focused on service and strategy in terms of commitment and coherence building within the organization (Melkumov 2009). These roles have evolved as historically contingent on each other. The bank under study is therefore coping with regulatory pressures to make changes to its board structure, human capital, and functioning to include external directors and focus on independent monitoring. As this stringent transnational regulation strongly challenged the traditional regulation-making monopoly of states within the EU (Avtonomov 2023), understanding how this new layer of corporate governance is perceived among key governance actors, especially board members, becomes extremely relevant for theory and practice. This EU-wide stringent transnational regulation drastically limited the discretion of SIFI banks in choosing their governance logic, structure, and practices. From our case study, we draw propositions for future research about how such a regulation spurs distrust due to its intervention in the role of boards and its directors as well as the intrusive accountability mechanisms related to the appointment of board members in SIFIs.

Our findings extend our understanding of how distrust is caused by perceived the incongruence (Bijlsma-Frankema et al. 2015; Lumineau 2017) of conditional[4] prescriptions of European transnational governance regulations (Cojanu 2013; Djelic 2011; Kaltenthaler et al. 2010) and translated into boards' role struggles and resistance concerning new invasive accountability mechanisms that limit their governance discretion (Aguilera et al. 2018). Our results contribute to recent calls by scholars to investigate the link between transnational regulatory governance and strategies that different actors adopt to cope with this (Guidi et al. 2020; Quaglia and Spendzharova 2017). While previous studies have suggested that stringent regulations would coerce compliance (Hooghiemstra and van Ees 2011; Wu 2005), our results suggest that such coercive compliance comes at the cost of distrust. In exploring the distrust promoted by transnational governance regulation, our study contributes to the corporate governance literature in several ways. Our results extend the work of Schwartz-Ziv and Weisbach (2013) regarding how roles and accountability in the boardroom are perceived by board directors. We demonstrate how directors' role expectations are influenced by the stakes and the power of external governance actors. Our study responds to recent calls for research on transnational regulation and how such regulations limit firms' discretion in deviating from the mandated governance logic (cf. Aguilera et al. 2018; Fainshmidt et al. 2018). Our study also extends the findings of Minichilli et al. (2009) on the contextual determinants of board roles and task performance.

Additionally, our study responds to calls by several scholars for the need for informing governance theory and practice with qualitative research, explaining the internal views of boards of directors (Aguilera and Grøgaard 2019; Jackson and Deeg 2008; Schwartz-Ziv and Weisbach 2013). Finally, our study adds to the ongoing discussion on how opposing layers of corporate governance—local practices versus transnational regulatory prescriptions (Aguilera et al. 2018; Grosman et al. 2019)—can create perceptions of value incongruence between practices and regulations among boards of directors.

The results of our study also have practical and regulatory relevance. Our case study demonstrates why firms and their representatives may resist stringent governance convergence and how important it would be for regulators to consider local governance practices and properly establish accessibility channels when implementing transnational laws.[5] Our study illustrates the challenges and tensions of introducing regional regulations that may not take into account the local conditions, as discussed by Avtonomov (2023).

The remainder of this article is organized into four sections. First, we outline the theoretical framework. Second, we describe the research methods and the case study context in an evolving regulatory landscape. Third, we present an analysis of the interview data. Fourth, we conclude with a discussion and a summary of the theoretical and practical contributions.

2. Evolving Transnational Regulation Leading to Distrust

International corporate governance research has shown that transnational governance regulations have emerged and have significantly expanded in the last decade, mainly as a response to the financial crisis (Djelic 2011; Quaglia 2019). The expansive scope of transnational regulations has demanded that firms address their incommensurate local corporate governance practices (Aguilera et al. 2018, 2019; Haxhi and Aguilera 2017). Examples of such demands include the shift from local to global supervisory authorities in the banking sector (Avgouleas and Cullen 2014; Horn 2012), the shift from a stakeholder-centered logic to a shareholder-centered governance mode (i.e., OECD's Principles of Corporate Governance or the Second Shareholder Rights Directive (EU 2017/828)), or the contrast between the advisory and control roles of boards of directors, fostered by increased regulation on the fiduciary responsibilities of boards of directors (Heracleous and Lan 2012; Lan and Heracleous 2010). The prescriptions and/or claims of transnational regulations have also created conflict with local governance logic and practices (Djelic

2011; Khanna and Palepu 2004; Quaglia and Spendzharova 2017). These tensions between transnational regulations and the local context have also been highlighted in the legal literature. For example, in a historical analysis of the evolution of private law, Avtonomov (2023) shows how international laws have induced homogenization across different regions and have reduced the scope of local laws. Similarly, Watters (2023) shows how transnational operations of firms may create tensions in the area of criminal law, where other countries can claim local jurisdiction over criminal prosecution using the principle of "local operations" as applied by the United States.

The board and its directors adapt to changes in the external environment (Pfeffer and Salancik 1978). For example, Siciliano (2005) and Hillman (2005) demonstrate the influence of organizational uncertainty about the external environment on board size and composition. Similarly, Schiehll et al. (2018) and Courtemanche et al. (2013) show that competitive, economic, technological, and regulatory changes persuade boards to change their mix of human and relational capital to counter the adverse effects of these factors on firm performance. Although these previous studies provide valuable insights into the interplay between the board and the external environment, scant attention has been paid to how governance actors (such as the board of directors) perceive and internalize conflicting prescriptions from the external environment and enact their individual responses (Pache and Santos 2010). To fill this gap, our study focuses on the firm-specific stakeholder-centered governance practices that deviate from the new transnational regulatory prescriptions of shareholder-centered governance logic (Aguilera et al. 2018). We aim to contribute to this discussion by focusing on how a bank's key governance actors respond to stringent transnational regulation, which exerts pressure on the board to reassess its structure, human capital, and functioning. More specifically, we highlight the tensions that new transnational governance regulation and regulatory authorities may create when national boundaries are blurred.

With the aim of better understanding the response from banks' key governance actors to transnational governance regulation, we employ the concept of distrust as propounded by Lumineau (2017). We utilize the concept of distrust primarily due to two reasons. First, the existing literature on international corporate governance has hinted towards rising distrust due to incompatibility between local practices and transnational regulation. Second, distrust in EU regulations could be extremely dangerous in terms of the stability and support of the European Union (Davidovitz and Cohen 2022; Kaltenthaler et al. 2010).

Distrust is defined in two broad ways in the literature (Bijlsma-Frankema et al. 2015; Lumineau 2017). One stream of research equates distrust to a lack of trust (Lewicki et al. 1998; Mayer et al. 1995; Robinson 1996; Rotter 1980). The second stream of research dissociates distrust from trust and argues that since the antecedents, consequences, and process dynamics underlying trust and distrust are dissimilar, they should be considered as distinct concepts (Bijlsma-Frankema et al. 2015; Cho 2006; Connelly et al. 2012; Dimoka 2010; Sitkin and Roth 1993). Since a burgeoning literature on measuring trust and distrust has substantiated the claim of the second stream of research (Cho 2006; Ou and Sia 2010), in this study we deploy the approach of the second concept of distrust. Distrust in this stream of research is defined as a "pervasive negative expectation and perception regarding the intention of others".

Distrust arises due to the perception of value incongruence, where actors perceive incompatibilities between their own values and the values of others (Bijlsma-Frankema et al. 2015). There are two ways actors perceive value incongruence: intuitive judgements and deliberate calculations (Lumineau 2017). Deliberative calculations allow actors to delay their judgements and perceive value incongruence based on utilitarian calculations. Actors use some form of calculation (Callon and Muniesa 2005; Kalthoff 2005; Miller and Rose 1990) or qualculation (Callon and Law 2005; Cochoy 2008), use more information and observation points (Cao and Lumineau 2015; Lumineau 2017), and analyze in a rational manner (Coleman 1990) to perceive value incongruence.

Intuitive judgements allow actors to make fast judgements on value incongruence, where actors use their preconceived notions based on experience and observation to draw judgements (Zajonc 1980). Actors use heuristics (Furnari et al. 2020) and a limited amount of information (Alvesson and Spicer 2012) and analyze in a non-calculative manner to determine value incongruence (Cao and Lumineau 2015; Lumineau 2017). We use these two mechanisms through which distrust arises to analyze how boards of directors responded to stringent transnational regulations on corporate governance from the EU.

In the next section, we highlight the tension that the new transnational governance regulations and a new external regulatory authority may create when national boundaries are blurred and a new international supervisory authority with a more shareholder-centered perspective takes over.

3. European Banking Regulation and Board Work

In the aftermath of the financial crisis (2008–2009), transnational regulation concerning corporate governance moved towards greater harmonization within the EU. For example, the European Council issued the Single Rulebook in 2009 to ensure uniform application of Basel III in the financial sector across all EU member states. Basel III was introduced to regulate governance structures, risk management, incentives, and compensation in the banking sector (Avgouleas and Cullen 2014; Horn 2012). The preamble of Directive 2013/36/EU explains the motivation for change in the following terms: "the very general provisions on governance of institutions and the non-binding nature of a substantial part of the corporate governance framework, based essentially on voluntary codes of conduct, did not sufficiently facilitate the effective implementation of sound corporate governance practices by institutions".

In this section, we focus on the EU banking regulations that were enacted in the aftermath of the financial crisis (2008–2009), impacting corporate governance and, more specifically, the boards of directors. Our analysis reveals that these EU banking regulations not only prescribed a more shareholder-centered role for boards but also created an intrusive mechanism for the ECB to strictly supervise the boards of SIFIs. These regulations attempted to increase transparency and accountability and to improve the overall governance of the banking sector as well as the economy as a whole (Berglund and Mäkinen 2019).

Within the EU, the adoption of the Basel III framework resulted in the Capital Requirements Regulation (CRR) 575/2013 and Capital Requirement Directive (CRD) 2013/36/EU, which formed the primary legal framework for prudential regulation of credit institutions. While the CRR (575/2013) propounded broader prescriptions of firm-level corporate governance, focusing on transparency and prudential oversight of risk management and internal control practices, the CRD (2013/36/EU) advised national supervisory authorities to issue proper guidelines and exert strict oversight over firm-level governance practices. Later in the same year (2013), the EU regulation (1024/2013) conferred a central role on the European Central Bank (ECB) concerning the supervision of SIFIs directly under a European regulator. The new law formalized the Single Supervisory Mechanism (SSM) as "a sound foundation for the regulation, supervision, governance and risk management of the banking sector" (ECB 2014, p. 7) and entrusted the European Banking Authority (EBA) to develop binding technical standards and guidelines for a harmonized application of prudential rules (Directive 2013/36/EU) (see Figure 1 for details). Within the EU, these changes meant a prominent transition from the local regulatory environment to the EU-level transnational regulation and supervision of SIFIs.

The EU regulation (1024/2013) specifically defined the "requirements on credit institutions to have in place robust governance arrangements, including the fit and proper requirements for the persons responsible for the management of credit institutions, remuneration policies and practices and effective internal capital adequacy assessment processes, including Internal Ratings Based models". The EU directive 36/2013 elaborated on the evaluation criteria for director appointments. The directive recommended the director appointments should be based on individual assessments and on individuals' suitability from the collective perspective of the whole board. Suitability from the collective perspective should be ascertained by matching the composition, collective knowledge, skills, and experience of the board with "the institution's activities including the main risks" (EU Directive 36/2013).

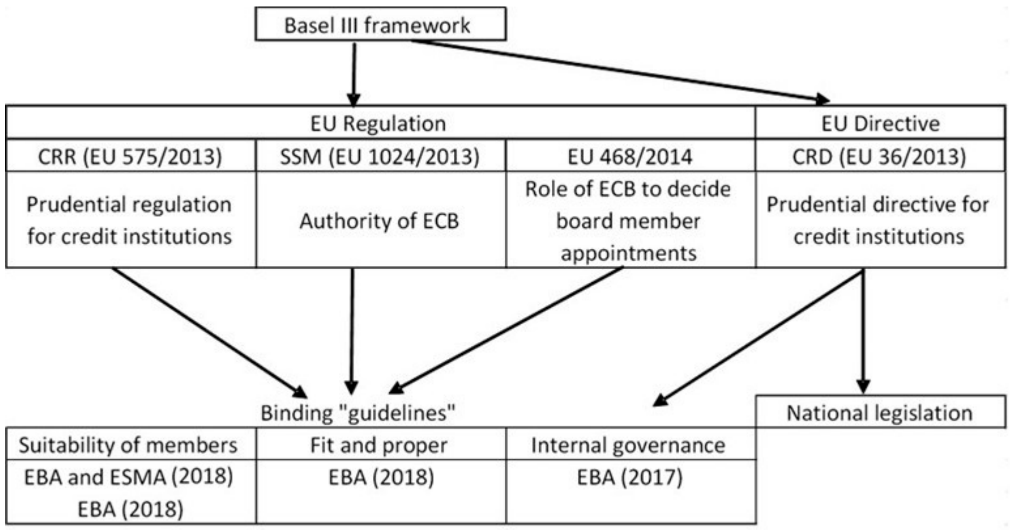

Figure 1. Regulatory framework (EBA 2017, 2018; EBA and ESMA 2018).

EU Directive 36/2013 also provides guidance on the composition and functions of board subcommittees for all types of credit institutions. According to the directive, risk and nomination committees should mostly comprise nonexecutive members. A nomination committee is also required to have "individually and collectively appropriate knowledge, skills and expertise concerning the selection process and suitability requirements". Similarly, a risk committee is required to have (individually and collectively) appropriate knowledge, skills, and expertise concerning risk management and control practices. In addition, an audit committee is required to have (individually and collectively) appropriate knowledge, skills, and expertise concerning the financial reporting process, internal control, internal audits, statutory audits and the audit committee's independence and, when applicable, risk management systems.

Consistent with the new regulations and directives of 2013–14, starting in November 2014, the ECB amassed the authority to decide on the appointment of "fit and proper" members to the governance bodies (boards) of SIFI banks under the SSM (defined in EU Regulation (468/2014) in Article 93).

The criteria of "fit and proper" introduced in EU regulation 468/2014 were later elaborated in shareholder-centric flavor, highlighting the independence of boards and their members in a series of guidelines (EBA 2017, 2018; EBA and ESMA 2018) (See Figure 1 for details). The main criteria of "fit and proper" laid out in these guidelines for the assessment of directors and board chairpersons included experience, reputation, conflicts of interest, independence of mind, time commitment, and collective suitability (EBA 2018). In addition, the EBA and the European Securities and Markets Authority (ESMA) further elaborated on "fit and proper" qualities and emphasized the role of independent board members, diversity, suitability of policy, nomination committees, and the composition of governing bodies (EBA and ESMA 2018). The guidelines also endorsed the use of a (well-elaborated) suitability matrix along with other appropriate methodologies to comply with the broad guidelines of director appointments and reappointments as elaborated in the EU directive 36/2013.

Based on the "fit and proper" criteria ascertained in the regulations, directives, and guidelines, the ECB assesses SIFIs when, for example, there is a new board appointment, a board member becomes an executive, or there are new available facts concerning existing directors. The ECB decides on these issues based on its own assessment, with the assistance of national supervisory authorities (Table 1).

Table 1. Highlights of the "Guide to fit and proper assessments" of ECB (2018).

Regulatory Themes	Key Changes Affecting MLB as Regulated in "Guide to Fit and Proper Assessments" by ECB (2018)	
Experience	Members of the management body must have sufficient knowledge, skills, and experience to fulfil their functions. The term "experience", used hereafter in a broad sense, covers both practical, professional experience gained in previous occupations and theoretical experience (knowledge and skills) gained through education and training. (Section 4.1)	Basic theoretical experience covering the following areas is expected (although for some positions it can be obtained through specific training): banking and financial markets; regulatory framework and legal requirements; strategic planning, and the understanding of a credit institution's business strategy or business plan and implementation thereof; risk management . . . assessing the effectiveness of a credit institution's arrangements, ensuring effective governance, oversight and controls; and interpreting a credit institution's financial information, identifying key issues based on this information and appropriate controls and measures. Presumption of adequate experience for the management body in its supervisory function: • Non-executive Chair: ten years of recent relevant practical experience. • Non-executive: three years of recent relevant practical experience at high level managerial positions (including theoretical experience in banking). If the thresholds at which sufficient experience is presumed are not met, the appointee can still be considered suitable if the supervised entity can adequately justify this.
Reputation	Members of the management body shall at all times be of sufficiently good repute to ensure the sound and prudent management of the supervised entity.	An appointee will be considered to be of good repute if there is no evidence to suggest otherwise and no reason to have reasonable doubt about his or her good repute. The management body should be explicitly asked to examine the pending proceedings and to confirm its confidence in the appointee.
Conflicts of interest and independence of mind	Members of management bodies should be able to make their own sound, objective and independent decisions and judgments (i.e. act with independence of mind). Independence of mind can be affected by conflicts of interest.	Potential material conflicts of interest: The appointee has currently a close personal relationship with a member of a management body, key function holder or qualifying shareholder in the supervised entity or in the parent undertaking/its subsidiaries; . . .The appointee or a close personal relation (current or over the past five years) holds at the same time a management or senior staff position in the supervised entity or any of its competitors, or in the parent undertaking/its subsidiaries; has a significant commercial relationship with the supervised entity or any of its competitors, or with the parent undertaking/its subsidiaries. . . .
Time commitment	All members of the management body must be able to commit sufficient time to performing their functions in the institution.	The time a director can dedicate to his or her functions can be affected by several factors, such as the number of directorships held; the size and the situation of the entities where the directorships are held and the nature, scale and complexity of the activities; the place or country where the entities are based; and other professional or personal commitments and circumstances (e.g., a court case in which the appointee is involved). In addition to an assessment of the number of "directorships" (quantitative assessment), an assessment of qualitative aspects is conducted. . . .
Collective suitability	The supervised entity has the primary responsibility of identifying gaps in the collective suitability through the self-assessment of its management body, for example based on a suitability matrix.	Motivation at time of appointment: • a description of the composition of the management body for which the appointee is being assessed . . . • a short, reasoned statement on how the appointee will contribute to its collective suitability needs; • in the event that the JST (joint supervisory team) has identified gaps in the collective suitability and wishes to discuss the topic, the result of the periodical self-assessment might also be requested by the JST.

The ECB, the European supervisory authority (termed supervisor), ensures that a bank establishes and maintains the prescribed board composition, committees, and activities. The above-described regulations, directives, and guidelines focus on the fit and propriety of board members from suitability and proportionality perspectives. Even in internal governance matters, the supervisor has the last word and the power to impose sanctions if a bank does not meet the fit and propriety criteria in the appointment of board members.

In summary, the abovementioned qualifications for board and committee members closely resemble those listed in corporate governance codes for publicly listed firms, which are intended to protect minority shareholder rights. The regulations, directives, and related guidelines also stress the need for independent and competent monitoring of structures and processes. In addition, compliance and assurance for SIFIs moved from national supervisory authorities to a transnational supervisory authority: the ECB. This regulatory context offers an informative institutional setting in which to analyze board responses to a transnational regulation that limits firms' discretion in practice deviation through a combination of mandatory regulations, directives, and strictly interpreted guidelines, creating tensions between regional regulations and local needs (Avtonomov 2023).

4. Research Methods

4.1. Case Study Approach and Data Collection

We conducted a case study that included semi-structured interviews with key governance actors of our case bank (see Table 2 for more details). Semi-structured interviews are widely used to obtain information on processes that unfold in naturalistic settings (Yin 2003). Hence, we believe that a case study with interviews is an appropriate method for our investigation of how directors perceive, internalize, and respond to changes in the external governance environment (Fainshmidt et al. 2018; Leblanc and Gillies 2005). Given our research objectives, we selected the studied bank based on two criteria: (1) it is a large and transparent organization that allowed us access, and (2) it is exposed to significant transnational regulations that affect the work of board of directors. We interviewed key internal (board members, executives) and external (consultants, the national supervisory authority) governance actors (Leblanc and Gillies 2005). Semi-structured interviews were focused on post-crisis EU regulations and their impact on the board's composition and role. We used interview protocols with broad themes and questions to guide our interviews. The selected interviewees dealt with the implementation of the EU regulation at the case firm. The interviewees were selected based on both ease of accessibility and relevance to the study. Therefore, we acknowledge that the biases in interviewee selection may have impacted our results. However, given that multiple interviewees repeatedly offered similar assertions, we believe that interviewee selection biases were minimized. The selection of a heterogeneous set of actors (executives, board members, and supervisory board members) further helped us in countering interviewee selection bias. We had three basic versions of protocols for the three different groups of interviewees: executives, board members, and supervisory board members (see Appendix A). Our interviews typically dealt with the following themes: regulatory changes and their influences, challenges and opportunities; changes in MLB related to competition; and changes in MLB's corporate governance, focusing on structure and information, the tension between strategy and compliance, and the future of the banking industry. We allowed interviewees to move away from our protocol if they had additional insights on the topic beyond our interview themes. Since the interviews were conducted right after the regulatory changes were implemented, we believe that the recency of events helped us reduce recall bias in the responses of the interviewees.

Table 2. List of interviews.

Interviewees	Date of Interview
Chair of MLB's audit committee	17 May 2016
Chair of MLB's risk management committee	19 May 2016
CRO of MLB	19 May 2016
Chairperson of MLB's supervisory board	28 January 2016
Local Central Bank Representative *	29 October 2015
Board Professional *	15 November 2016
CEO of MLB	10 July 2017
Consultant-Big-4 B1 *	18 September 2015
Consultant-Big-4 B2 *	18 September 2015
Consultant-Big-4 A *	9 September 2015
Local Supervisory Authority *	22 September 2015
Consultant C *	11 September 2015

* Regulatory Expert in Basel III and accompanying EU regulations and guidelines on board work.

4.2. The Magnus Localis Bank (MLB)

Our study relies on a single case study, a cooperative bank located in a Nordic country that features particularities in terms of not only firm-level boards (i.e., two-tier boards) and ownership structure (i.e., concentrated ownership) but also country-level mechanisms, such as a weak market for corporate control and high institutional collectivism (Grove 2005). For confidentiality, we use the pseudonym Magnus Localis Bank (MLB) instead of the bank's real name. More importantly, because we examine the effects of external regulation, we highlight the fact that the Nordic region is a mature economy with strong legal institutions. For example, it has its own Scandinavian law system that is primarily based on traditional civil law[6] (Fainshmidt et al. 2018).

MLB is a large cooperative banking group that is coping with supervision changes under the EU's new SSM. Notably, the supervisory authority changed from a local national authority to the ECB under the new EU-level banking regulation. The Nordic countries restructured the banking sector in the early 1990s in the aftermath of economic downturns and excessive risk-taking on the part of banks (Honkapohja 2014). Since then, their banks have demonstrated greater financial stability and better returns than other European banks. The wisdom of this policy became evident during the global financial panic in 2008, when not a single Nordic bank had to be bailed out (Berglund and Mäkinen 2019). MLB currently enjoys good financial health, with return on equity (ROE) varying from 6% to 11% from 2008 to 2018 and common equity Tier 1 (CET1) varying from 12% to 15% from 2008 to 2012, clearly exceeding ECB requirements, and gradually increasing thereafter to above 20%.[7]

Since our objective is to examine the effects of new transnational governance regulation, we should point out that in Nordic countries, the traditional "communitarian" governance approach places emphasis on all stakeholders as well as trust (Judge et al. 2008). Accordingly, at MLB, the stakeholder-centered approach plays a substantial role and is considered a good fit with the bank's cooperative structure. As declared in the MLB corporate governance statement (2014), its "operations are based on the cooperative principle—cooperation and sharing the fruits of success with everyone". Figure 2 illustrates the ownership structure of MLB's central cooperative. The highest decision-making body is the cooperative general meeting, made up of representatives of local cooperative member banks. These representatives elect the supervisory board (corresponding to a board of directors but without executives, similar to the German and French systems but without employee representation), which in turn elects the executive board. The central cooperative controls centralized services, develops MLB's business, and manages strategic control. MLB encompasses over 100 local cooperative member banks. Each member bank has its own administration, similar to the central cooperative, with customers as the owners. MLB's supervisory board is a decision-making body made up of representatives from local cooperative banks. The number of seats per region of local cooperative banks is defined based on the size and capital structure of the cooperative banks in each region. All MLB supervisory board members have traditionally been either a CEO or a supervisory board member of a local cooperative bank. The supervisory board of MLB comprises more than 20 members. From the perspective of the ECB, the current board members are not independent of the firm and may not represent competencies required for the board members of SIFI banks. In addition, the ECB considers the supervisory board to be too large for efficient work. In 2014, following the ECB requirements, MLB adopted a new nomination process whereby a person with no official role in a local cooperative could be appointed to the supervisory board. In 2017, two members who were not local cooperative representatives were elected to the supervisory board. They represented both independence and the required competence of SIFI board members.

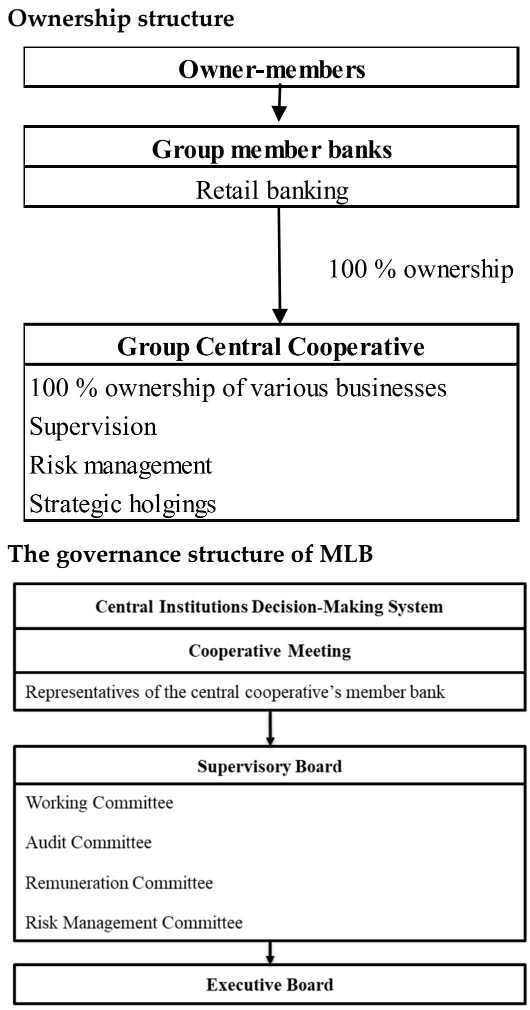

Figure 2. The ownership and governance structure of Magnus Localis Bank.

5. Case Study Results

Central to our analysis is the transnational perspective and the coercive role of the EBA and European Commission in the promotion of sound transnational corporate governance practices, as described above. The European regulatory reforms on the homogenization of corporate governance (see Figure 1) provided the triggering event for our investigation, as these changes played a critical role in MLB's transition from a local to a transnational governance mode.

Our findings indicate that the transnational and normative focus of the European regulatory reforms had a drastic impact on MLB, forcing it to adopt new approaches to its board composition and functioning. Unsurprisingly, there was some resistance by both the board and management. Notably, substantial tensions developed between the pre-existing local and the proposed transnational governance modes.

Two significant issues emerged from the interviews. First, the directors showed resistance and struggled with their role identities as MLB shifted from a communitarian and stakeholder-centered perspective towards a more shareholder-centered perspective because of the new transnational regulations. Compared to the new controlling role of the board, the previous role was more focused on building group coherence and providing assistance. Our interviews therefore corroborate the challenges boards of directors can face when balancing (or transitioning between) the roles of resource provisioning and monitoring (Schiehll et al. 2018). When MLB came under SSM, the independence and competence requirements became mandatory for both the risk management and audit committees. However, the local cooperative representatives, who were members of MLB's supervisory board, did not meet the independence requirements, since they represented local cooperatives with vested interests (i.e., acting on behalf of owners). Thus, unlike an advisory board, the network and industry-specific knowledge did not compensate for the apparent lack of independence (or objectivity) perceived by regulators. The interviews also highlight the perceived reputational threats that arise from either external scrutiny or poor firm performance (Schiehll et al. 2023) and how such threats can prevent directors from using their breadth of knowledge and experience for wealth creation.

Second, the interviews revealed some mistrust about the legitimacy of the newly imposed transnational regulations, including the new external monitoring body—the ECB—and the new accountability procedures. As an international oversight body mandated to interpret Basel III across EU countries, the ECB represented a transnational governance actor (Morgan 2008) for MLB. New institutional logic and detailed interpretations of new EU-level banking regulation, therefore, became compulsory, without any clear flexibility for national contexts. Taken together, our interviews unveil how board and contextual elements elucidate a board's function, involvement, and efficacy in meeting its diverse fiduciary obligations. Further, and more specifically in the context of our case study, a financial institution, the evidence supports the view that the heightened scrutiny of decision-making is assumed to influence the direction and magnitude of boards' attention through the importance that compliance and reputational threats may have to the survival of organizations (Schiehll et al. 2023). In the following section, we further analyze these two issues in light of our interview results.

5.1. A Shift in the Board's Role

MLB found the new regulation challenging in that it conflicted with the bank's usual modus operandi, which focused on internal directors and internal roles of the board, prioritizing strategy over monitoring (Melkumov 2009). The regulations and guidelines, which were perceived to be binding, placed more emphasis on board independence and competence in controlling banking operations. The dilemma appeared to stem from the fact that the power to nominate supervisory board candidates rested in the hands of the local cooperative banks that owned the central cooperative MLB. It was essential for the local banks to have representation on the board. However, in the eyes of the ECB, supervisory board members lacked independence and, in several cases, the requisite human capital and expertise.

The move towards independence, as well as the expertise-based appointment of directors, drew opposition from the Top Governance Team (TGT; the chief executive and members of the supervisory board and its subcommittees) of MLB. The CEO countered the move towards an excessive focus on the independence of board members. He suggested that appointees from local cooperatives are best suited for the supervisory board of MLB since they share risk and have the requisite knowledge and competence to serve.

> *[Local cooperative] banks have invested almost [several] billion euros in the group, and they want to look after that . . . They haven't come from outside to wonder what it's all about! Instead, they have vast knowledge and competence, as well as the willingness—if things don't go well, to suffer the immediate consequences.*

The chairperson of the supervisory board echoed similar views:

> *I, as chairperson of the supervisory board, want to have as high-class a supervisory board as possible. There [in local banks] are good people with competence. Very often, you find the best competence in a CEO of a large local bank. This kind of person would be the best for a supervisory board or a risk management or audit committee.*

There was a commonly held view in the TGT that MLB would need to make a trade-off between local needs and regulatory compliance, even at the expense of board effectiveness. This corroborates the view that transnational governance regulation in Europe has changed the scope of corporate governance, often shifting to a shareholder-centered governance mode (Horn 2012). As the chairperson of the supervisory board noted,

> *From the perspective of the supervisor [ECB], it would be even better to take someone from our competitor, or from the street, or a person from a listed firm in another industry [to the supervisory board]. This is contradictory. I'm concerned.*

The chair of MLB's audit committee questioned the rationale behind an excessive focus on expertise. She argued that strong experience and competence would facilitate only certain types of people taking over governance.

> *. . . there is a danger, if strong experience and competence are overly emphasized, that the memberships of the supervisory boards are in the hands of only certain groups [within the MLB]. This would not improve the commitment or the social cohesion function, which is one of the functions of the supervisory board.*

The control role of the board was not necessarily alien to the interviewees. Nevertheless, most of them felt that in the EU regulation, the board's monitoring role had been accentuated at the expense of the resource provision role. The MLB's TGT attributed more importance to the board's advisory role for MLB's operations and the board's contribution to ensuring organizational cohesion and commitment. This struggle, caused by the perceived incongruence of conflicting prescriptions, demonstrates how directors' role expectations are influenced by the stakes and the power of external governance actors. As MLB's CEO emphasized,

> *A very important role of the supervisory board is . . . how to get this larger group committed to these larger strategic decisions . . . What we do, we have built together, and interaction goes both ways. Therefore, the supervisory board, in its current state, is important. But naturally, for ECB, this is hard to understand.*

Emphasizing the advisory role of the board and emphasizing the group cohesion required for this, MLB's CRO seconded the opinion of the CEO: "*To build commitment, the participation of the local cooperative CEOs is crucial*". The chairperson of MLB's audit committee raised concerns over the new calculations introduced by the ECB for monitoring purposes and suggested that these calculations create tension in the organization, as no one can understand them in detail:

> *. . . this CFO introduces unfamiliar calculations [referring to calculations required by ECB], and nobody could understand them, due to the lack of familiarity. And now, as I see it, [the local cooperatives] could include [to the supervisory board of MLB anyone with a highly respectable position] . . . but what do you think he will understand?*
>
> *Nothing! With all due respect to him . . . it is the worst kind of bureaucratese. For example, as our chief auditor said, these issues can only be discussed with qualified professionals.*

The above excerpts illustrate the tension and distrust surrounding the newly imposed regime. This distrust was perceived mostly through deliberate qualculation (Cochoy 2008), where existing corporate governance practices, geared towards the advising role, were posited as superior and fitting the strategic needs of MLB. In contrast, the monitoring role that the ECB advocated was posited as focused on bureaucratic calculations and un-fitting of the needs of the internal stakeholders of MLB. In line with our arguments, the interviews suggest the ambiguity and distrust created by the apparent incongruence between normative prescriptions and how MLB's directors perceive their fiduciary role. We argue that distrust in terms of role congruence was rooted in deliberate calculations, because informants also weighed in on some positive aspects that they observed after regulatory changes in their practices. Exemplifying the acceptance of the fact that outside directors are capable of better monitoring, the CRO stated the following:

> *We are under the impression that as [local cooperative] bank directors, we understand business. We understand our local retail business, but we also have to look after the position of the whole group and the actions of the group as part of society and under European supervision. Ultimately, their experience and competence [as CEO of a local cooperative] do not go far enough. It could be that as an outsider, even though they might not understand the local banking business, [they] are better qualified to monitor [us]. (CRO of MLB Group)*

Exemplifying the positive tone of the CRO, the chairperson of the supervisory board accepted the increase in transparency due to new regulations:

> *The regulation has forced us ... our committees to improve our reporting to the supervisory board and our documentation. We will gain transparency in our activities. And we also have more accurate communications with our owner [cooperative] banks, and we can also attempt to do the same with our owner-customers [who ultimately own local cooperative banks] ... The level of communication and transparency has increased in many respects. (Chairperson of MLB's Supervisory Board)*

5.2. Resistance to ECB's New Accountability Mechanisms

As suggested by Kaltenthaler et al. (2010), whereas transnational governance attempts to reduce uncertainties in a cross-border economy, it often generates resistance to new accountability issues and transnational institutions (Morgan 2008). Even the local central bank officials were critical of regulatory grey areas due to the sudden shift to transnational regulation:

> *At the time of Basel II, we had national options. The Local (national) Supervisory Authority knew the local conditions ... The intention was sensible adoption. Now, due to Basel III ... the national-level adoption was not on the wish list because it would cause regulatory grey areas. (Local Central Bank Representative)*

Working on the implementation of Basel III-based EU banking regulation at MLB's local cooperative banks, a consultant argued that the ECB is not easily accessible and allows no informal and quick channels to discuss contentious issues, where the banks need immediate clarification for implementation:

> *Some of our customers [banks] are frustrated and nervous because with the National Supervisory Authority, it was possible to discuss and explain, but with the ECB, that doesn't work. (Consultant B1)*

The advent of the guidelines meant significant changes in governance in terms of not only risk management but also organizational processes and structures. This, in turn, affected the board roles. The interviews revealed that MLB representatives questioned whether these changes were appropriate for MLB. They viewed them as more necessary for poorly performing banks and for a shareholder-centered governance environment, where detailed regulation is common practice. This supports the view that while lower uncertainty can decrease the pressure on directors to make the right choices, increased accountability creates fear in making decisions that may be questioned or criticized later, which in turn leads to resistance. Questioning the imposition of new formal structures in

Nordic countries, where banks had more successfully weathered the financial crisis, the chairperson of MLB's supervisory board stated the following:

> *It would be easier to understand if the banks in the Nordic countries were in bad shape . . . but our record is good . . . This kind of cooperative group structure is challenging for the European supervisor.*

Questioning too much intrusion from the ECB on internal matters, such as risk management, the CEO of MLB denounced the ECB's "box ticking" approach, which is unable to account for bank-specific risks:

> *ECB has its own needs, and all of us have to meet them . . . Our top experts spend their time serving ECB instead of developing our risk management tools for business . . . They constantly complain that we have too few resources for risk management. Our risk management director feels that we have enough. But the major challenge is that you serve ECB, and from their perspective. They should think first, "What is real risk management development from the business perspective?" but they want to tick the box.*

Adding further to the formal structured approach and rejection of informal platforms for discussion, the CEO cited an exemplary story:

> *We have differences in opinion with ECB because we have to validate these models within a certain timetable . . . Naturally, we have ourselves to blame if we weren't on time . . . We got complaints and then fines because we were behind schedule. We were six months late. On the same day, in the morning, our chairperson and two vice-chairpersons visited the ECB. The ECB representatives didn't say anything, but on their way back, it was published that we were fined . . . We were punished because we didn't meet some details in the regulation . . . Currently, we're working on our validation process.*

Supporting the viewpoint of MLB's CEO, the CRO suggested that the heavily structured approach adopted by the ECB has caused "common sense" to vanish from the decision making of the bank:

> *Basel [III] has forced banks, all banks, to take a structured grip, not only on risk management but on the whole business, and this is very healthy . . . At the same time, we have lost our common sense, which was at least partly in use before. This is a negative issue for the industry.*

In resisting invasive accountability mechanisms, the evidence presented above indicates distrust rooted in judgement. This was substantiated by the appeal to intuition ("common sense") and quick perceptions (through anecdotal evidence on the structured and formal nature of the ECB) that were highlighted by the informants to substantiate the value incongruence with the straightforward and informal approach of supervisory relations that MLB enjoyed with the local regulators. Taken together, our interviews reflect the ongoing governance debate about whether the board of directors' fiduciary responsibilities towards shareholder or non-equity stakeholders can best be secured (or more effective) through voluntary or regulatory means.

In short, as outcomes of the stringent transnational regulations and the one-size-fits-all approach propounded by the European regulatory reforms, the MLB representatives appear to be struggling with or resisting the newly imposed transnational governance regime. They hold firmly to their belief that their traditional governance practices best serve MLB's mission and stakeholders. At the same time, they feel compelled to submit to the new transnational governance mode. Guided by a cooperative culture and aspirations to act as a good corporate citizen, MLB has carefully complied with the official interpretations of the transnational governance regulation. From its own perspective, however, MLB is painfully aware of the associated costs. Thus, the board and executives must concentrate their efforts on transnational compliance instead of focusing on maintaining local coherence within the cooperative structure and responding to challenges in the business environment, such as the move to digital banking[8] and third-party access[9] to customer account data.

Our case study is therefore informative about how transnational regulation in Europe has introduced ambiguity surrounding the role of boards of directors, stemming from varying legal frameworks and compliance requirements across different countries. We see such ambiguity (or tension) as posing important challenges for boards of directors operating across borders. Apparently, based on our interviews, the compliance with diverse and sometimes conflicting regulatory requirements can impact directors' perception of and ability to provide effective governance.

6. Concluding Remarks

Our broad purpose was to study how boards of directors cope with the changing roles and increased accountability imposed by stringent transnational governance regulation. The transnational regulation shifted the authority away from local regulatory bodies and imposed a homogeneous interpretation of the banking regulations. More specifically, we analyzed how the board of a bank responds to the coercive forces of EU-level transnational governance regulations for the banking sector. Our findings reveal how governance actors resist shareholder-oriented transnational regulatory demands to shift (deviate) their practices from local stakeholder-centered, firm-specific, and business-related needs to comply with transnational regulations. The directors of MLB perceived the transnational banking regulation to be against the firm's interests, as it required major changes in their current governance practices. This perception of adversity resulted in a distrust spiral, precipitating directors' distrust in the new EU-level regulation as well as in the supervisor agency (ECB).

In our case study, the supervisory board had fulfilled multiple roles through its local stakeholder-centered logic (Fainshmidt et al. 2018) as a response to local business-related needs: from monitoring, service, and strategic planning to commitment and coherence building within the cooperative MLB group. In our case study, we could observe that the roles and working practices of board members have evolved accordingly, but pressures for compliance with specific prescriptions of the transnational governance regulation conflicted with local firm-specific governance practices. Such conflicting demands triggered tensions and board members' distrust towards the newly imposed governance regime, revealing board members' role struggles and resistance to new invasive accountability mechanisms. These findings provide support for the following propositions:

> *P1: Board members' role struggles may arise from transnational regulatory demands to shift the board's focus from local governance practices to compliance with transnational regulation.*

> *P2: Board members' resistance to new invasive accountability mechanisms may arise from transnational regulatory demands to shift the board's focus from local governance practices to compliance with transnational regulation.*

6.1. Theoretical Implications

Our case study enhances our understanding of how stringent transnational governance regulation leads to distrust (Cojanu 2013; Kaltenthaler et al. 2010) and causes resistance among board members due to its value-incongruent propositions on discontinuities in internal director roles (Grosman et al. 2019; Melkumov 2009) as well as invasive accountability mechanisms (Aguilera et al. 2008, 2018). In doing so, we add to the discussion of the tradeoffs of developing a transnational pattern of corporate governance (e.g., Avtonomov 2023; Quaglia and Spendzharova 2017). The value incongruence in director roles arose due to deliberate calculations, whereas invasive accountability mechanisms arose due to intuitive judgements. While distrust based on deliberate calculations would need ECB to demonstrate the value of their proposed approach, distrust based on intuitive judgement would require ECB to change their insistence on assimilating values from different member states.

The discretion in terms of governance solutions was limited by the new transnational regulation and supervisory authority, forcing the cooperative bank with local stakeholder-centered and business-related practices to move towards established shareholder-oriented corporate governance logic (Aguilera et al. 2018). The transnational European supervisor exerted tight control by strictly defining the content of "fit and proper" requirements for board members. The MLB group representatives and most of the other governance actors perceived most of the ECB requirements as forms of micromanagement that forced MLB to adopt practices that did not fit its cooperative structure and corporate logic and did not serve its business model. In the view of MLB's top executives, their bank weathered the financial crisis better than its European counterparts, and therefore, such under-contextualized prescriptions were daunting. In their opinion, the new transnational regulation forced them to comply for the sake of "regulation" and not to ensure the prevention of future financial challenges, creating a tension between the transnational regulation and local needs (Avtonomov 2023). Although the regulation led to improved local governance practices by the audit and risk management committees, resulting in greater transparency and a better understanding of these issues at the supervisory board level (Hooghiemstra and van Ees 2011; Wu 2005), it remains an open question whether such Basel III-driven European reforms truly serve MLB group's business model.

In short, our findings suggest that the current trend towards harmonized transnational governance regulations by the EU may conflict with local governance practices. Moreover, the physical distance from the transnational regulator led to perceptions of insufficient contextualization of the board requirements for effective governance. Such under-contextualization is in contrast with the configuration perspective that sees effective corporate governance as the combined interdependent effects of governance attributes related to monitoring and resource provisioning (Aguilera and Jackson 2003; Aguilera et al. 2008; Schiehll et al. 2018). Along with creating resistance, it appears that the newly imposed governance practices can create discontinuities in directors' roles during the transition. Hence, this study contributes to the ongoing discussion on how different layers of corporate governance—local versus global—can create conflicting institutional demands (Pache and Santos 2010) that lead to micro-resistance and discontinuities between competing normative fields (Grosman et al. 2019; Khanna and Palepu 2004). Further, our case study demonstrates the interplay between normative (institutional level) pressure (Judge et al. 2008) and directors' role identity (individual level) (Dimoka 2010; Davidovitz and Cohen 2022), suggesting the need for a more integrative theoretical framework to study board behavior. Our findings therefore underscore the need for further studies on transnational governance environments to better understand how governance actors emerge, construct, and transform themselves in response to new governance modes.

6.2. Policy Implications

To the extent that academic research can inform and improve the policymaking process, we believe that our study also posits important practical contributions. Our findings illustrate the drawbacks of the transnational regulatory harmonization approach and, therefore, can help regulators avoid unintended counter-reactions in society. Examples of this kind of reaction within the EU are many and include the rise of populist political movements that counter globalization, which includes rule harmonization that creates competition imbalances and additional costs for firms and industrial sectors of EU member countries, with existing governance practices removed from the prescribed rules (Dijkstra et al. 2020; Quaglia and Spendzharova 2017). Even though regulators and other institutional bodies in the EU have been transparent in accommodating stakeholders' viewpoints during regulatory enactments, they may enhance their legitimacy by being accessible and accommodating during regulatory implementations.

Transnational governance—the focus of our study—has gradually emerged and has strongly challenged the traditional norm-making monopoly of states (Avtonomov 2023). As such, a better understanding of whether and how board functioning is influenced and may be disrupted by the pressure of international compliance constitutes a relevant issue for the practice of corporate governance (Hodson and Quaglia 2009; Hooghiemstra and van Ees 2011; Quaglia 2019). We believe that our findings can inform regulators not only in considering the local context while formulating regulations but also in considering proper reasoning and even informal accessibility channels with different actors while implementing hard-law regulations. Finally, we are optimistic that our findings will generate additional research on organizational and individual governance actors' responses to the coercive forces of transnational governance regulation in several ways. It would be interesting to study how banks have adopted new transnational regulations and changed their behavior. Further research could also explore whether local practices are appropriately changed in response to tight European regulation and supervision. Another important issue would be to explore whether banks in other parts of Europe experience banking regulation and supervision in a similar fashion. The ECB's behavior should also be investigated appropriately to check if they have changed their behavior over time to better consider local needs instead of tightly pushing "one-size-fit-all" regulations into all contexts.

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Appendix A. Interview Guide (Example of One of the Themes)

Interview questions for CRO:
What are the most important regulatory changes for national banking business? Why?
How has Basel III regulation influenced your executive board tasks and operations? What about your relationship with the board of directors?
Major challenges and opportunities?

- Regulation, digitalization, other?
- Competition?

What has really changed within MLB and why due to Basel III? Examples.
For example, impact on pricing, products, and customers (customer selection).
How has Basel III regulation influenced the roles and tasks of the executive board in risk management? Topics that could be discussed:
Impact on risk limits;
Impact on tools that you use to identify, assess, and respond to risks;
Impact on strategy and short- and long-term target setting and strategy supervision;
Impact on monitoring;
Impact on compensation practices;
Impact on operations transparency and disclosure.
How has the Basel III regulation impacted your executive board composition, expertise, and education? How do you make sure that the board and the management have enough expertise to fulfill their duties successfully?
Have there been any changes in the information and communication practices or systems?
Processes related to how the information is identified, captured, and communicated?
Do you feel that the Basel III regulation includes some risks or disadvantages related to the executive board work?
Are there any tensions between strategy and compliance?
How do you perceive the banking industry will change due to the new regulatory changes?

Notes

1 Hereafter referred to as transnational governance regulation or transnational regulation.

2 SIFIs are the largest European banks whose failure could trigger systemic risk (https://www.ecb.europa.eu/pub/pdf/fsr/art/ecb.fsrart201006_03.en.pdf, accessed on 20 December 2023).

3 A SIFI in the European Union.

4 The European Union ties its membership and resources to strict regulatory conditons.

5 European institutions are good at implementing informal as well as formal accessibility channels while formulating EU-wide rule harmonization.

6 "The Scandinavian-type system, though also based on civil law, occasionally treats civil law prescriptions less rigidly, and thus from a certain point of view represents a transitional type between the two main groups of legal systems . . . ". Studies on the procyclical behavior of banks. National Bank of Hungary. (https://www.mnb.hu/letoltes/op2002-10.pdf, accessed 20 December 2023).

7 Due to confidentiality issues, additional information cannot be disclosed.

8 https://www.computerweekly.com/news/252441026/Nordic-banks-plan-major-digital-transformation-of-operations, accessed 20 December 2023.

9 https://www.ft.com/content/e026eb2e-f6c7-11e7-8715-e94187b3017e, accessed 20 December 2023.

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