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StanChart directors to push for chief’s succession plan

Martin Arnold in London   Author alerts

Peter Sands

Standard Chartered’s non-executive directors intend to discuss a succession plan to replace Peter Sands as chief executive in a private meeting with the bank’s chairman next week, said people familiar with the matter.

Some of the biggest shareholders in the emerging markets-focused bank either have told or plan to tell the chairman Sir John Peace that he should accelerate a plan to find a successor to Mr Sands, two people close to the discussions said.

The moves follow a dire week for StanChart, whose shares have fallen to a five-year low after issuing its third profits warning of the past 12 months and learning of a fresh investigation into the bank by US regulators.

“All those things together – the regulators plus the earnings situation – does put greater pressure on management,” said one person close to the board. “I don’t think the status quo will last for very long.”

The board is due to meet in Singapore on Tuesday. The non-executives will discuss whether to accelerate a succession plan by approaching a shortlist of potential chief executive candidates at a private meeting with Sir John.

The lender plans to put on a three-day investor event in Hong Kong during the second week of November, when bank executives are likely to be bombarded with questions about its strategy from fund managers.

A growing number of sceptics say Mr Sands, one of the longest-standing chief executives of a big global bank, has his work cut out to convince investors that he can turn round the lender’s performance.

Shares in StanChart closed at £9.39 on Friday – down from £18 less than two years ago.

This year has marked a stunning fall from grace for the London-listed bank that emerged from the financial crisis in the best shape of its British peers and achieved a fivefold increase in assets and a quadrupling of its profits in the past decade.

Publicly, the board of directors remains supportive of Mr Sands and his strategy. The bank said in a statement: “The board is united in its support of both Peter Sands and Sir John Peace, and the management team, to deliver the refreshed strategy, restore the bank to profitable growth and deliver returns for our shareholders.

“We are taking action to position ourselves for growth and the enormous opportunities our markets present. We are exiting non-core businesses, reducing costs, actively de-risking certain portfolios and shifting capital and investment spend to the most attractive opportunities. We are confident in our ability to translate all of this into sustained value creation for our shareholders.”

However, David Fergusson, partner at Woodside Holdings Investment Management a Singapore-based investor in StanChart, said in a letter to the Financial Times that Mr Sands had “failed his shareholders” adding that the recent share price decline “drives us to ask of the board of directors in this open forum: When is enough enough?”

Profits at StanChart fell 16 per cent to $1.53bn in the three months to September after costs rose faster than revenues and impairments for bad loans almost doubled, extending a disappointing year for the bank.

Some big investors who did not want to be named said they felt Mr Sands was not moving fast enough to respond to the changing regulatory climate and deteriorating outlook for emerging market economies. They called for cost-cutting to be accelerated and for the bank to bolster its capital to be able to cope with an economic downturn and to invest in growth.

For some investors, the latest regulatory probe in the US was the last straw. New York’s Department of Financial Services, the Department of Justice and the Manhattan district attorney’s office are jointly investigating whether StanChart withheld prohibited transactions from investigators in 2012 when it paid $667m and signed a deferred prosecution agreement to resolve a criminal case of sanction breaches in Iran, Sudan and Myanmar.

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