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**UNI Europa Finance Reply to the EBA Consultation paper on draft Guidelines
for assessing the suitability of members of the management body and key
function holders of a credit institution (EBA/CP/2013/03)**

General remarks

UNI Europa Finance is the European-level trade union body for the finance sector. It represents 100 unions with 1.5 million workers in the banking and insurance industries. It is part of UNI Global Union and recognised by the European Union as a social partner. UNI Europa Finance is also part of UNI Europa, representing 7 million workers in the services and communication sectors. UNI Europa is member of the ETUC.

UNI Europa Finance welcomes the consultation on the guidelines for assessing the suitability of members of the management body. This consultation is important as during the crisis it has become clear that there was a serious concern about competences and qualifications of the members of management and other decision making bodies. In addition, events such as the recent scandal on the Libor agreements between banks also show that reputation is a serious issue and should be monitored on an ongoing basis.

Financial institutions are different from other institutions because of the complexity of their operations and the high cost of failure. Stakeholders include shareholders and employees, and also clients, which are depositors and debt holders, as well as supervisors and governments. The problem of weak governance was at the heart of the financial crisis.

In general, recruitment policies should be specific enough to ensure that members of the management body are suitable and they should also take into account the employee perspective, i.e. by representation of employees on the board and in recruitment committees. Diversity of the management body is a key issue in sound

and long-term oriented corporate governance. In addition, the competences of board members should be continuously updated in order for them to fulfil the requirements necessary for their task.

Question 1 for consultation:

While the principle of proportionality is a general principle within European legislation, it may be desirable to spell out this principle in more detail for the application of the Guidelines. Which criteria could be applied by institutions and competent authorities to differentiate the assessment process and the assessment criteria regarding the nature, scale and complexity of the business of the credit institution and how should such a differentiation look like?

All financial market companies should be subject to the same duties and controls. Separate rules for different market companies would create differences in corporate governance principles that could contribute to systemically unsound practices. Therefore, UNI Europa Finance supports a model which covers any type of actor. This is especially relevant in view of the ever-increasing interconnectedness of the different actors in the finance industry.

UNI Europa Finance is in favor of introducing a set of criteria for a suitability assessment which fits all companies regardless of their size and whether they are listed or not. This is especially relevant for evaluation of “sufficiently good repute” for members of the board. For very complex institutions, the evaluation of “sufficient experience” should be exercised with even higher standards in mind, and assessment could be exercised not only for individual members of management but also for the management bodies as an entity: The assessment criteria should include the diversity of the board, especially the gender balance; employee involvement (employee representation on boards). The amount of training received by the management body and planned training programs should be part of the evaluation process for all boards, regardless of size.

Question 2 for consultation:

Should competent authorities be required by the Guidelines to assess the policies of institutions for assessing the suitability of key function holders aiming to ensure that institutions have appropriate policies in place ensuring that key function holders would fulfill the suitability requirements?

Yes, a certain number of minimum criteria should be fulfilled in the assessment of the suitability of key function holders. These criteria should be subject to assessment by competent authorities. They should include (i) the criteria indicated

in chapter IV of the present guidelines, i.e. reputation criteria, experience criteria, governance criteria. In addition, recruitment policies should be specific and ensure that employee perspectives are taken into account. The individual member's number of mandates in other boards should be assessed and regulation should limit this number. The same goes for the compatibility of multiple board memberships: Any potential conflicts of interest (i.e. a person who has been a consultant to the government for the acquisition of a business and is then appointed as director of the same business) should also be assessed.