

11th July 2012

European Banking Authority
Tower 42 (level 18)
25 Old Broad Street
London EC2N 1HQ

Consultation: Draft Guidelines for assessing the suitability of members of the management body and key function holders of a credit institution (EBA/CP/2013/03)

Dear Sirs,

On behalf of Chartered Banker Institute and the Chartered Institute for Securities and Investment I am delighted to offer our comments on the EBA's Draft Guidelines, which I hope you will find helpful.

As standard-setting bodies for UK banking and financial services professionalism, and an educational bodies rather than trade associations, the Institutes rarely comment on regulatory issues. Given our expertise in developing the ethical, professional and technical competence of banking staff at all levels, though, including members of the management bodies and key function holders of many UK and international banks, I believe we can offer a valuable perspective on the Draft Guidelines, and in particular on the draft assessment criteria set out in Chapter 4 of the Consultation Paper.

Scope

Given the importance of broader ethical and professional competence, we support the proposal that the scope of the Guidelines should extend to (a) members of the supervisory function as well members of the management body and (b) financial and mixed financial holding companies. It is essential, however, that the competent authorities are able to assess the suitability of proposed or appointed members of the management and supervisory bodies without delay, and sufficient resources should be allocated to this. Furthermore, we believe that the process would be enhanced if competent authorities are required by the Guidelines to assess the policies of institutions for assessing the suitability of key function holders.

Chapter 4

Article 13 – Reputation Criteria

In our view, the criteria set out in Article 13 are necessary, but not sufficient. In addition to establishing that there is no evidence to suggest that an individual is not of good repute, we believe competent authorities should request evidence from individuals of their positive contribution to enhancing and sustaining a culture of customer-focused, ethical professionalism within credit institutions or similar organizations.

The critical importance of members of the management bodies and key function holders in setting the “tone from the top” and the culture of the credit institution cannot be underestimated, and is an important safeguard in ensuring consumer protection and market integrity. Requiring senior and influential individuals to demonstrate a positive contribution to the development of organizational culture would, in our view, promote positive attitudes and behaviours in credit institutions, and be a significant step forward for the European banking and financial services industry.

In relation to Article 13, 6(c), we propose that competent authorities should also take into account whether an individual is a current member of a relevant professional body, in good standing with that body. As currently drafted, 6 (c) states that account should be taken of investigations and/or enforcement actions by regulatory or professional bodies. There will be a number, possibly a majority, of individuals acting as members of the management bodies and key function holders in credit institutions who are not members of such bodies, however. Professional body membership, in most cases, requires an ongoing adherence to a Code of Conduct and a commitment to Continuing Professional Development (CPD) – all positive signs that an individual is committed to high standards of ethical professionalism. We believe it would be helpful, therefore, for competent authorities to give positive weight to membership of a relevant professional body, or similar.

Article 14 – Experience Criteria

In assessing an individual’s education (Article 14, 5) we propose that positive weight be given by competent authorities to relevant professional – as opposed to academic – qualifications, supported by continued membership of a relevant professional body, or similar. Education programmes attended and/or qualifications gained in the distant past are of little current relevance without evidence that the knowledge and skills gained have been maintained and developed further through CPD, which is required by most professional bodies in the banking and financial services industry.

We also propose that, in addition to the criteria laid down for particular consideration by the competent authority, in Article 14, 6, individuals should be required to demonstrate their knowledge and experience of enhancing and sustaining a culture of customer-focused, ethical professionalism within credit institutions or similar organizations. In our view, technical competence in finance, risk, strategy, etc must be supported by broader ethical and professional competence.

In relation to the possible assessment of “skills” by a competent authority (Article 14, 7) we believe the examples of “skills” given in the footnote are unhelpful, and do not always accord with commonly understood definitions of “skill”, which encompass the idea of a specific ability deriving from acquiring and applying knowledge. The EBA would be in line with current educational

practice in referring to “competence” rather than “skills” here, and we propose that 14, 7 should be revised to read: *“Competent authorities may assess whether an individual has the appropriate ethical, professional and technical competence for suitability.”*

Article 15 – Governance Criteria

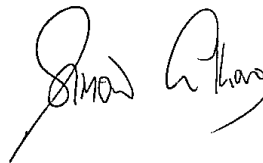
Similarly to our comments on Articles 13 and 14 above, we believe that competent authorities should consider the members of the management body’s individual and collective positive contributions to enhancing and sustaining a culture of customer-focused, ethical professionalism within credit institutions or similar organizations, and require evidence of this.

Please contact me if you have any questions or queries, or require any clarification, in regard to our comments.

Yours sincerely,



Simon Thompson
Chief Executive
Chartered Banker Institute



Simon Culhane
Chief Executive
Chartered Institute for Securities and
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About the Chartered Banker Institute

The Chartered Banker Institute (www.charteredbanker.com) is the oldest professional institute of bankers in the world, founded in 1875. The Institute received Royal Charters of incorporation in 1976 and 1991. In 2000, approval was received from the UK Privy Council to award the “Chartered Banker” title. We are the only body to confer this unique designation to members meeting the Institute’s professional and qualification standards.

In addition to the Institute’s flagship “Chartered Banker” professional qualification, rated at Level 7 on the European Qualifications Framework (EQF), the Institute offers a unique “Chartered Banker MBA” programme (www.charteredbankermba.com) in partnership with Bangor University. Bangor is ranked No.1 in the UK for research in Accounting and Finance in the most recent (2008) UK Government's Research Assessment Exercise (RAE). Uniquely, all individuals studying to become Chartered Bankers are required to study and pass a module in Professional Ethics and regulation at EQF Level 7.

In October 2011, the Chartered Banker Institute launched the Chartered Banker Professional Standards Board (CB:PSB, www.cbpsb.org), together with Chairmen and Chief Executives of: Barclays PLC, Clydesdale and Yorkshire Banks, HSBC Bank plc, ING Direct UK, Lloyds Banking Group, Santander UK, Tesco Bank, The Royal Bank of Scotland Group and Virgin Money. Collectively the CB:PSB member banks serve more than 70 million UK customers, and employ more than 350,000 individuals working in banking in the UK.

The CB:PSB’s aim is to enhance and sustain a culture of banking professionalism by creating industry-wide standards which enshrine the very best ethical, technical and behavioural qualities. The CB:PSB has already developed and published the *Chartered Banker Code of Professional Conduct* which sets out the values, attitudes and behaviours it expects of all banking professionals. On 2nd July, 2012, the CB:PSB published the *Foundation Standard for Professional Bankers*. This is the first in a suite of professional standards, which will include an advanced standard for senior bank executives and individuals in significant influence functions.

The Chartered Banker Institute is a founder member of the European Bank Training Network (EBTN), the standard-setting body for the accreditation, certification and qualification of knowledge, skills and competences in the European financial services sector.

About the Chartered Institute for Securities and Investment

The Chartered Institute for Securities & Investment is the largest and most respected professional body for those who work in the securities and investment industry in the UK and in a growing number of major financial centres round the world. Formed in 1992 by London Stock Exchange practitioners, it has more than 40,000 members in 89 countries and in the past year, set 42,000 examinations worldwide. The CISI has three main business streams, which reflect its aims: *Qualifications, Membership and Integrity*.

Qualifications

The Institute uses the voluntary help of 750 practitioners to write and produce 56 examinations in the wholesale, retail and operations sectors, ranging from Financial Services Authority (FSA) regulations, to Commodity Derivatives, to Islamic Finance and the new "Combating Financial Crime". As a result of regulatory changes arising from the FSA's Retail Distribution Review (RDR), the CISI has been appointed as an FSA Accredited Partner and will issue mandatory Statements of Professional Standing for industry practitioners. All CISI exams are FSA compliant (RDR compliant for retail exams) and on the Approved or Appropriate Examination Lists held by the Financial Skills Partnership. The Institute is regularly audited and approved by Ofqual.

Of the 42,000 CISI exams sat in the past year, over 9,000 were taken overseas, particularly in the Middle East and South East Asia, and the Institute is working closely with many overseas regulators to develop local qualifications tailored to their market.

Membership

The CISI has 40,000 members, half of whom are fully qualified and 4,000 are now personally Chartered. CISI members benefit from a variety of professional activities; in the current financial year, more than 200 Continuing Professional Development (CPD) seminars were held throughout Britain and overseas, together with its highly-acclaimed conferences. The Institute has a strong regional presence in the UK, with 16 branches, and a growing presence worldwide, served by offices in Dubai, Dublin, Edinburgh, Mumbai, Singapore and a second operations centre in Colombo.

Members stay up to date using the CISI's formal CPD scheme, with its automatic administration, which is held in high regard and has also been adopted by a number of firms, 95 of whom are now CISI corporate subscribers.

Integrity

The Institute enjoys a strong reputation for its work in Integrity and Ethics. It recently published the third edition of its book of case studies, some of which are used in its popular Board level interactive seminars. The Institute's core values of excellence, integrity and professionalism, agreed at the outset of its foundation, are as relevant and pertinent today as they have ever been. Indeed, the CISI's highly valued Code of Conduct is adhered to by all its members.