



EUROPEAN CENTRAL BANK

BANKING SUPERVISION

Fit and proper enhancement package

Public hearing
15 July 2021



Purpose of fit and proper enhancement measures

What is our vision and objective?



Raise the bar and increase **efficiency and transparency** with the following measures

Reinforcement of **reassessment** policy and additional policy on **individual accountability**

Encourage banks to pursue an ex ante approach

Initial supervisory expectations on **climate risks** expertise and **gender diversity**

Increased **clarity** on information to be **provided** in fit and proper (F&P) applications

Revised F&P Guide – Overview of contents and additions

What's new?

Structure of the F&P Guide

How we got here



Guiding principles and scope of the ECB's fit and proper assessments



Legal framework



Assessment criteria



Fit and proper-related authorisations



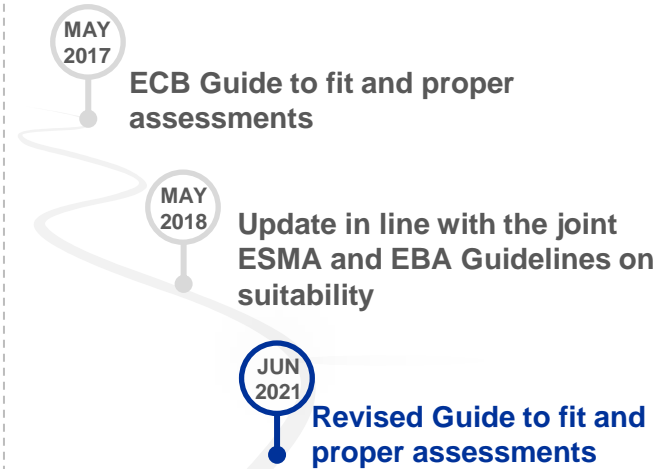
Situations that trigger a fit and proper assessment other than new initial appointments



Interviews



Notifications, decisions and ancillary provisions



Reassessments



Objective

Clarify the reassessment process and further define the concepts of materiality and severity
Enhance guidance on reassessments, with a special focus on anti-money laundering (AML) findings and ongoing proceedings

Main measure

Clarification of process: (a) pre-screening phase; (b) Step 1 reassessment; and (c) Step 2 reassessment
Guidance on substance: introduction of a decision wheel to guide materiality and severity assessment
Focus on ongoing proceedings and on AML: specific guidance in relation to ongoing proceedings and proceedings related to AML

Revised F&P Guide – “increasing transparency and raising the bar”

Ex ante approach



Objective

Promote harmonisation and a level playing field without prejudice to national law by frontloading assessments for chief executive officer (CEO) and other executive positions in top entities of significant institutions

Main measure

Banks in scope are invited to submit the respective F&P questionnaire and CV for the newly appointed **CEO and/or executive members** of the management body as soon as there is an **intention to appoint** (e.g. after the proposal from the nomination committee).

Individual accountability



Objective

Clarify that severe supervisory findings for which the appointee has no direct responsibility may still impact an appointee’s suitability, as the appointee may be held individually accountable for good management and adequate decision-making

Main measure

F&P criteria impacted: reputation, experience, independence of mind (case-by-case analysis)

Outcome: a) positive decision either with ancillary provisions or addressing supervisory expectations regarding the individual accountability of board members; or b) possible negative decision where the facts are not mitigated

Climate-related and environmental risks



Objective

Reinforce the F&P Guide by including elements from the ECB Guide on climate-related and environmental risks which should also be considered in F&P assessments, including experience and collective suitability

Main measure

Additions were made to the F&P Guide – **experience, collective suitability and ECB approach to interviews**

Revised F&P Guide – “increasing transparency and raising the bar”

Diversity



Objective

Reinforce the F&P Guide as regards collective suitability by reflecting current practice in addressing diversity concerns: preliminary focus will be on gender diversity, but other diversity components may be addressed in the future. ECB policies on diversity will be further developed.

Main measure

Additions were made to the F&P Guide – **collective suitability**

Updated F&P questionnaire – “increasing efficiency”

Goals of the updated F&P questionnaire

More complete and accurate information from banks, avoiding future information requests

Respond to industry requests for further simplification

Common core F&P questionnaire for all Single Supervisory Mechanism (SSM) countries

Enable a substance and form approach



Facilitate digital integration in the IMAS portal

Align with the SSM F&P harmonisation goals

A more user-friendly and, where possible, shorter document

Increase ability to feed data analytics objectives

Limit national specificities to the absolutely necessary