

SUPERVISORY EXPECTATIONS FOR THE MANAGEMENT BODY



A **consistent reference point** for all ESMA supervised entities regarding governance arrangements, **specifically focusing on the management body**. The full report including supporting guidance is available on [ESMA's website](#).



The role and responsibilities of the management body

Principle 1

Responsibilities of the management body

The management body of an entity is empowered to set the entity's strategy, objectives and overall direction. The management body is responsible for setting and overseeing the entity's risk management framework, including its risk appetite.

Principle 2

Accountability and delegation

The management body is the key oversight body in relation to all matters relating to the supervised entity. Where certain responsibilities are delegated, for example to committees, the management body remains accountable for them.

Principle 3

Effective challenge

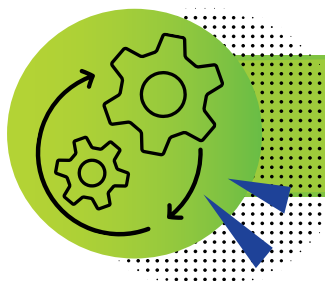
The supervisory function oversees and challenges the management function of the management body. The management function is responsible for the day-to-day management of the entity and the implementation of the strategy set by the management body as a whole.

Members of the management body in its supervisory function are collectively able to effectively provide such oversight and challenge.

Principle 4

Tone from the top

The management body of the entity is responsible for setting the tone from the top.



Operation and leadership of the management body

Principle 5

The operation of the management body

The management body holds regular and effective meetings, allowing it to oversee the entity's business. Meetings are conducted in a way to ensure open and comprehensive discussions and clear decision-making.

Principle 6

Effective reporting

Reporting to the management body is designed to provide it with a comprehensive, risk-focused view of the operations of the entity. It allows the management body to discharge its responsibilities, including making decisions when required.

Principle 7

Control function access to the management body

Given their independent role, internal control functions have unfettered access to the entity's management body in its supervisory function. Members of the management body's management function and executive senior management do not prevent or interfere with the direct communication between management body in its supervisory function and the internal control functions.

Principle 8

Record keeping

The entity ensures that a comprehensive, accurate and impartial internal record is maintained of each meeting of the management body.

Principle 9

Effective leadership

The management body's work to oversee the entity's strategy and risk management is led effectively by one of its members.



Composition and effectiveness of the management body

Principle 10

Composition of the management body

In line with its nature, scale and complexity, the entity ensures that the management body has an appropriate number of members. At both collective and individual levels, the management body has the skills, experience and knowledge required to perform its role and duties.

Principle 11

Reviewing effectiveness

The management body regularly reviews its own effectiveness.

Principle 12

Training and recruitment

The management body has a detailed view of the individual and combined skillsets it requires in order to ensure effective oversight of the entity. It seeks to close existing or anticipated skills gaps through a mix of individual and collective training as well as recruitment.

