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Press and Communications

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## Press release

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### EBA and ESMA provide guidance to assess the suitability of management body members and key function holders

**The European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA) have published their [joint Guidelines](#) to assess the suitability of members of management bodies and key function holders. These Guidelines aim to harmonise and improve suitability assessments within EU financial sectors, and to ensure sound governance arrangements in financial institutions in line with the Capital Requirements Directive (CRD IV) and the Markets in Financial Instruments Directive (MiFID II). The Guidelines highlight the importance for institutions to consider whether candidates have the knowledge, qualification and skills necessary to safeguard proper and prudent management of the institution. The Guidelines also foster more diverse management bodies and, therefore, contribute to improved risk oversight and resilience of institutions.**

CRD and MiFID II include measures to remedy weaknesses identified during the financial crisis regarding the functioning and composition of the management body within credit institutions and investment firms and the qualifications of their members. When appointing members of the management body, institutions should ensure that the members have the reputation, knowledge, experience and skills necessary to safeguard proper and prudent management of the institution.

These joint Guidelines specify the notions of (a) sufficient time commitment, (b) adequate collective knowledge, skills and experience, (c) honesty, integrity and independence of mind, (d) adequate human and financial resources for induction and training of members of the management body and (e) diversity, which is to be considered in the selection process.

In particular, the members of the management body should have sufficient time to cover all the necessary subjects in depth, in particular the establishment of business and risk strategies and the management of the main risks. The management body, collectively, should possess adequate knowledge, skills and experience to understand the institution's activities, including the main risks. In this respect, the Guidelines provide a non-mandatory tool, covering all relevant areas of knowledge and experience that should facilitate the assessment of its collective suitability.

Additionally, the Guidelines provide further guidance on the scope of assessments to be made, the assessment process for institutions and competent authorities, and related policies. They provide for the heads of internal control functions and the Chief Financial Officer, when they are not members of the management body, to be always considered as key function holders, and therefore, subject to the institutions' assessment.

This joint work also builds on the outcome of the EBA's peer review of the [EBA guidelines](#) on the assessment of the suitability of members of the management body and key function holders of credit institutions<sup>1</sup>.

### **Legal basis and next steps**

These Guidelines have been developed according to Article 91 (12) of Directive 2013/36/EU (CRD) and Article 9 of Directive 2014/65/EU.

The joint Guidelines will apply as of 30 June 2018 to competent authorities across the EU, as well as to institutions on an individual and consolidated basis. The previous EBA Guidelines on the assessment of the members of the management body and key function holders will be repealed on the same date.

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<sup>1</sup> <http://www.eba.europa.eu/documents/10180/950548/EBA+Peer+Review+Report+on+suitability.pdf>