

Circular

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EBA guidelines of 26 September 2017 on internal governance (EBA/GL/2017/11)

Scope

Credit institutions, stockbroking firms, branches established in Belgium of credit institutions and stockbroking firms governed by the law of States that are not members of the European Economic Area (EEA) and, lastly, for the purposes of consolidated supervision, group supervision or supplementary conglomerate supervision, financial holding companies and mixed financial holding companies.

Summary/Objective

This circular transposes into the Belgian prudential framework the guidelines of the European Banking Authority (EBA) of 26 September 2017 on internal governance.

EBA's guidelines EBA/GL/2017/11 were published on 26 September 2017 and replace, with effect as from 30 June 2018, EBA GL 44 of 27 September 2011. They provide guidance for practical supervision of governance in financial institutions, as was the case with the previous EBA guidelines. Financial institutions should therefore apply and comply with these guidelines as an addition to and clarification of the legal provisions on governance, and do so in the manner set out in this circular.

Dear Sir or Madam,

In recent years, various international fora have focused on governance in financial institutions.

On 26 September 2017, the EBA issued new guidelines, in accordance with Article 74 of Directive 2013/36/EU¹, in order to further harmonise the governance practices that apply to credit institutions and investment firms, thereby ensuring their effective and prudent management. These guidelines will enter into force on 30 June 2018 and replace EBA GL 44 of 27 September 2011.

The new EBA guidelines provide guidance for practical supervision of governance in all financial institutions included in the scope of this circular, as was the case with the previous EBA guidelines. Financial institutions should therefore fully apply and comply with all these guidelines as an addition to and

¹ Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

clarification of the legal provisions on governance, it being understood that the specific provisions in EBA guidelines 51 and 53, which provide that the nomination committee and the risk committee should include a majority of members who are independent and be chaired by an independent member, should be considered a recommended good practice which, in accordance with the provisions of Article 21, § 1, 1°, of the Banking Law, may be taken into account in the overall assessment of the organisation and operation of the institution's governance framework. For example, if an institution, either on its own initiative or following a recommendation or measure imposed by the supervisor, wishes to or must strengthen the role of the advisory committees and their independent directors, the implementation of said guidelines 51 and 53 may constitute an important step towards improving the global governance framework.

Specifically for the sector of credit institutions, certain aspects of these EBA guidelines were further clarified or explained in the handbook on governance for the banking sector as introduced by circular NBB_2015_29. However, that specific explanation is without prejudice to the obligation for institutions to fully apply all EBA guidelines.

A copy of this circular is being sent to the auditor(s) of your company or institution.

Yours faithfully,

Jan Smets
Governor

Annex - only available on www.nbb.be:

- EBA guidelines of 26 September 2017 on internal governance (EBA/GL/2017/11)