



June 13, 2024

STANDARD OF SOUND PRACTICE ON FITNESS AND PROPRIETY (FOR LICENSEES UNDER THE BANKING SERVICES ACT, 2014)

Financial Policy Committee

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GUIDANCE ON:

1	<i>Supervisory Requirements for Fitness and Propriety</i>
2	<i>Minimum Fit & Proper Assessment Criteria:</i>
	- <i>Competence and Capability</i>
	- <i>Probity, Integrity and Reputation</i>
	- <i>Financial Integrity</i>
3	<i>Suitability:</i>
	- <i>Time Commitment</i>
	- <i>Conflict of Interest</i>
4	<i>Supervisory Approach to Fit & Proper Assessments</i>

LIST OF ABBREVIATIONS	
BOJ	Bank of Jamaica
BSA	The Banking Services Act, 2014
DTI	Deposit-taking Institution
FHC	Financial Holding Company
PQ	Personal Questionnaire
SC	Supervisory Committee
SSP	Standard of Sound Practice

GLOSSARY	
Agent	An agent, as defined in the BSA, means a person other than a deposit-taking institution who has been appointed by a deposit-taking institution under section 108(1) to carry out one or more of the banking services specified in that section.
Appointee	An appointee is an individual who is proposed for a position as a director, officer or key employee.
Close personal relationship	Close personal relationship refers to immediate relatives such as spouse, registered partner, child (incl. step-child, adopted children, wards) parents or other family relations with whom the person shares living accommodation.
Company	A company is any corporate body incorporated in Jamaica or elsewhere and any entity which, in the opinion of the Supervisor, is analogous to a body corporate.
Counterparty exposure	Counterparty exposure is as defined in the BSA, includes any transaction or arrangement that creates an exposure to a counterparty, whether or not the exposure is recorded on the licensee's balance sheet, such as <ul style="list-style-type: none"> (a) credit facilities; (b) commitments made to or on behalf of counterparties, whether used or unused and whether revocable or irrevocable; (c) contingent liabilities; (d) investments, and other holdings of debt or equity securities; (e) reverse repurchase transactions; and (f) derivatives.
Director	Director as defined in the BSA, means a director, trustee or other person who is a member of the board or other

	body of a company that is responsible for the governance and oversight of the company;
Financial Holding Company	<p>A financial holding company as defined in the BSA means a company:</p> <ul style="list-style-type: none"> (a) licensed under the BSA as a financial holding company; and (b) under which all other companies within the financial group are held, including: <ul style="list-style-type: none"> i. any of that company's subsidiaries incorporated outside of Jamaica, and ii. entities over which it has effective control.
Financial Institution	Financial institution means a person who undertakes or engages in financial services.
Financial Services	<p>Financial Services is as defined in the BSA and includes the following:</p> <ul style="list-style-type: none"> (a) banking business; (b) lending; (c) consumer credit; (d) financing commercial transactions; (e) transfer of money or value; (f) issuing electronic money; (g) financial guarantees and commitments; (h) dealing in securities and trading in other financial instruments; (i) participation in security issues; (j) individual and collective portfolio management; (k) insurance business and insurance related financial services; (l) investment of moneys and other financial assets on behalf of third parties; (m) pension fund management; and (n) any other service designated as a financial service by the Supervisor by order published in the Gazette, subject to affirmative resolution.
Key Employee	<p>Key Employees as defined in the BSA means:</p> <ul style="list-style-type: none"> i. a person who is employed or contracted below the level of management of a relevant institution to perform functions that:

	<ul style="list-style-type: none"> a. can substantially affect the financial condition or reputation of the licensee or both, and b. meets the criteria specified in any guidelines prescribed by the Supervisor; or <ul style="list-style-type: none"> ii. person who is deemed by the Supervisor to be a key employee of the licensee.
Officers	Officers include an executive director, managing director, chief executive officer, a chief financial officer, a manager (to include a branch manager) and the company secretary;
Persons responsible for independent function	These represent individuals within a licensee or other relevant institution who are responsible for the key oversight functions. These persons may include the Chief Compliance Officer, the Chief Risk Officer, the Chief Internal Auditor and, when applicable, the Chief Financial Officer.
Relevant Institutions	<p>Relevant institutions for the purpose of “fit and proper” assessments, refer to the following entities:</p> <ul style="list-style-type: none"> (a) An Ultimate Holding Company (whether foreign or local) or such other entity approved by the Supervisor, pursuant to section 69(3) of the BSA. (b) A Financial Holding Company. (c) A Deposit-taking Institution. (d) Subsidiaries of Financial Holding Company. (e) Persons treated as members of the financial group pursuant to section 71(2) of the BSA. (f) Companies within the financial group which provide necessary support services to the licensee pursuant to section 73(2) of the BSA. (g) Agents appointed under section 108(1) of the BSA to carry out one or more of the banking services specified in that section. (h) Where the Supervisory Committee has permitted an ownership structure under section 69 (3) and (5) and 73 (2), any entity within that ownership structure that the Supervisory Committee so determines.
Relevant persons	Relevant Persons refer to shareholders (substantial shareholders), directors, officers and key employees.
Substantial Shareholder	Substantial shareholder as defined in the BSA, means a person who holds 20 per centum or more of the shares of a licensee (including shareholders of holding companies) or an agent under section 108 of the BSA.

Suitability	<p>Suitability refers to the person's fitness and propriety coupled with the following:</p> <ul style="list-style-type: none"> i. his or her ability to commit sufficient time to perform his or his or her duties; ii. competence; and iii. absence of conflict of interest that cannot be appropriately mitigated.
Supervisor	<p>Supervisor is as defined in the BSA, means the Governor of the Bank acting in the capacity as the Supervisor of banks, financial holding companies and other specified financial institutions under section 34B of the Bank of Jamaica Act.</p>
Ultimate Holding Company	<p>A company that is formed with the specific purpose of acquiring and holding shares in other subsidiary companies. The holding company has control over these other subsidiaries. While the subsidiary companies are responsible for running day-to-day operations, the ultimate holding company manages the subsidiaries and holds all the assets.</p>

BACKGROUND

The Standard of Sound Practice on Fitness and Propriety, 2017 ("SSP 2017"), is the primary policy document issued by the Bank of Jamaica ("the Bank" or "BOJ") pertaining to fitness and propriety. The SSP 2017 provides comprehensive guidelines and sets the minimum criteria for evaluating the fitness and propriety of substantial shareholders, directors, officers, and key employees of licensees and other relevant institutions. Consequently, the SSP 2017 concentrates on the assessment criteria, including probity, financial soundness and competence. It also outlines the fit and proper assessment process and addresses factors such as the frequency of assessments and informational requirements, among other considerations.

In 2022, the Bank commenced the process to revise the SSP 2017. Consequently, the Bank published the Consultation Paper on the Proposed Standard of Sound Practice on Fitness and Propriety ("Consultation Paper"), which outlined proposed updates to the SSP 2017 and requested feedback from the industry and other relevant stakeholders.

Among the key proposals and updates made to the SSP 2017 were the introduction of the concept of "suitability" and the provision of detailed guidelines regarding the roles and responsibilities of licensees and other relevant institutions.

The inclusion of the suitability concept in the updated Standard came about because the Bank recognised that an individual may be fit and proper as defined under section 3 of the BSA, but could nonetheless be deemed unsuitable for a specific role due to factors such as (i) insufficient time to commit to the particular role, and (ii) conflicts of interest situations.

The revised Standard aims to describe and make public the Bank's updated approach to "fit and proper" assessments. This revised Standard is legally binding, as it operationalises relevant requirements of the BSA, with penalties outlined in the eighth schedule of the Act.

PART 1: INTRODUCTION

1. Financial institutions regulated and supervised by the Bank must be owned, controlled and managed by individuals deemed "fit and proper". These individuals are mandated to uphold high ethical standards, demonstrate conduct and business dealings that reflect overall integrity and probity, and possess the necessary competence and qualifications for their roles. Additionally, these persons need to be "suitable" for their roles. This mandate not only impacts the safety and soundness of the institutions but also extends to the broader financial sector and bolsters public trust and confidence in the financial institution.
2. Financial institutions benefit from good governance and management when led by individuals who are deemed fit, proper and suitable. Such individuals are expected to be more adept at making prudent decisions

and implementing necessary changes in the institution's structure, business activities and operations, as directed by supervisors or dictated by macroeconomic conditions and market dynamics to ensure the institution's viability. Additionally, they are more likely to treat customers, clients and counterparties fairly and should be more capable of meeting anti-money laundering and other regulatory requirements.

3. Licensees and other relevant institutions including approved agents are statutorily responsible for ensuring that they remain prudently and soundly managed. Consequently, the Bank mandates that these entities establish and implement robust due diligence policies and processes to guide the selection and appointment of directors, management and key employees to ensure these persons are and remain fit and proper.
4. BOJ holds a statutory responsibility to ensure that the fitness and propriety of relevant persons, encompassing substantial shareholders, directors, officers and key employees within a licensee. Subsequent to this evaluation, the Bank submits recommendations to the Supervisory Committee (SC), which holds the authority to decide on whether an individual qualifies as a "fit and proper" person under the BSA.
5. Failure to comply with requirements under the BSA constitutes an offence and will result in legal and reputational risks for the offending individual, as well as for the licensee/relevant institution.

1.1 Objectives

6. The objective of this Standard is to set out and describe the minimum criteria that:
 - a. A licensee or relevant institution should consider when:
 - i. assessing the fitness, propriety and suitability of a candidate it is proposing to appoint, hire or promote as board member, senior management, substantial shareholder or key employee; and
 - ii. assessing the continuous fitness, propriety and suitability of a person to perform as a board member, senior officer, substantial shareholder or key employee.
 - b. The Bank and the SC will consider the fitness, propriety and suitability of a board member, substantial shareholder, senior management, key employee, as well as any other individual deemed relevant by the SC in accordance with section 3 of the BSA. Additionally, the Bank will require the ongoing fitness, propriety and suitability of any previously approved person.

1.2 Legal Provision

7. The proposed Standard of Sound Practice on Fitness and Propriety is issued pursuant to section 132 1(g) of the BSA which gives the Financial Policy Committee the authority to make Supervisory Rules in relation to corporate governance functions and arrangements.
8. All directors, substantial shareholders, officers, key employees of a relevant institution, as well as any other individuals deemed relevant by the SC must be fit and proper as defined by section 3 of the BSA.
9. Section 3(2) of the BSA specifies that the Supervisor is mandated to assess whether the board of directors, officers, key employees and substantial shareholders of licensees and persons such as the Ultimate Holding company, any entity within an ownership structure under section 69 (3) of the BSA or any other entity permitted by the SC are fit and proper.
10. Furthermore, section 7 of the BSA provides that the SC shall consider and make determinations on whether a person is a fit and proper person.
11. Section 37(1) of the BSA places obligations on licensees to ensure that each substantial shareholder, director, officer, and key employee is and continues to be a fit and proper person. Furthermore, section 37(2) imposes additional obligations on FHCs to ensure that all members of any financial group under their jurisdiction comply with the requirement that all relevant persons are fit and proper.
12. Failure of any person to meet the fit and proper requirements under the BSA and in this Standard will render that person not “fit and proper”, thus making them ineligible to serve or to continue serving in any of the relevant positions without written approval from the SC.
13. Furthermore, every licensee and other relevant institution that fails to ensure that each substantial shareholder, director, officer and key employee of the entity and financial group is and remains fit and proper contravenes the law and commits an offence as per section 37 (3) of the BSA and in summary conviction in a Parish Court, would be liable to pay a fine not exceeding three million dollars or to imprisonment for a term not exceeding six months or to both such fine and imprisonment.

1.3 Applicability

14. This Standard will apply to the following persons:
 - a. Every commercial bank, merchant bank, or building society licensed under the BSA.
 - b. Every FHC licensed under the BSA, 2014.
 - c. Every agent approved to offer one or more banking services indicated in Section 108 of the BSA.

- d. Any person or organisation who applies to acquire substantial shareholding in or control of a licensee under section 77 and 78 of the BSA.
- e. Any company intending to engage in banking business under section 19 (1) of the BSA.
- f. Any company intending to function as a financial holding company under Section 19 (2) of the BSA.

Any company intending to offer one of more banking services on behalf of a deposit-taking institution as an agent under section 108 of the BSA.

PART 2: SUPERVISORY REQUIREMENTS FOR FITNESS AND PROPRIETY

- 15. The policies and procedures relating to fitness and propriety must form part of the relevant institution's corporate governance framework.
- 16. The obligation for a person to be "fit and proper" is an ongoing commitment and does not apply only at the application stage. Consequently, relevant institutions shall ensure that proper systems, procedures and controls are put in place to enable a comprehensive assessment of persons required to be "fit and proper" on an ongoing basis.

2.1 Responsibilities of the Relevant Institution

- 17. All licensees, other relevant institutions and other persons to which this Standard applies must:
 - a. ensure that each substantial shareholder, director, officer and key employee is and remains a "fit and proper" person. It is expected that individuals who serve as consultants (i.e. persons who do not sit on the Board of Directors, but provide insight and have a material influence on the proposed operations of licensees and other relevant institutions) be assessed for fitness and propriety;
 - b. conduct a "fit and proper" due diligence investigation, the specific level of which should depend on the intended position and, at minimum, consider all the criteria detailed in this Standard. The "fit and proper" due diligence investigation is to be done before an applicant is appointed;
 - c. document its determination in writing. This documentation must include the conclusion, details of the considerations underpinning that conclusion and must provide the reasons the individual and or individuals have been deemed to be fit, proper and suitable. In addition, if any agreements have been reached to enhance the individual's proficiency in specific areas, these should be duly noted in the decision document;
 - d. maintain appropriate board-approved policies and procedures to ensure compliance with any requirement under the BSA and any

regulations made under this Act that the directors, officers, substantial shareholders and key employee is and remains a “fit and proper” person;

- e. notify the Supervisor as soon as possible about any events or circumstances that affect or could affect the fitness and propriety of any substantial shareholder, director, officer, and key employee pursuant to section 39 (1)(d & e);
- f. ensure compliance with the reporting requirements of the Supervisor to submit personal questionnaires, annual questionnaires and any other data the Supervisor may require for each relevant person;
- g. ensure that the necessary steps are taken to remove a director, officer, substantial shareholder or key employee who is no longer fit and proper;
- h. ensure that any director, officer, key employee or substantial shareholder of the licensee or member of the financial group or agent summoned by the Supervisor under the BSA for the purpose of obtaining information obeys the summons;
- i. ensure that the “fit and proper” assessment process is subjected to independent oversight; and
- j. ensure that the risk and compliance function, as well as the internal audit function are essential in assisting in the review, assessment and attestation process of the fit and proper policies and processes framework.

PART 3: MINIMUM FIT AND PROPER ASSESSMENT CRITERIA

3.1 Assessment Criteria

- 18. The fitness and propriety of proposed relevant persons is assessed against the following criteria:
 - i. Competence and capability;
 - ii. Probity, integrity and reputation; and
 - iii. Financial integrity.

3.2 Description of Assessment Criteria

3.2.1 Competence and capability

- 19. When evaluating an individual's competence, the licensee or relevant institution should consider both academic and industry qualifications, along with relevant experience. A “fit and proper” person is expected to

- possess the necessary skills, knowledge and professional acumen required to fulfil their roles and responsibilities within the organization.
20. The anticipated level of knowledge, qualifications and experiences should be contingent upon the level of responsibility and the nature of the regulated activity that the person is expected to undertake. In determining the competence and capability of an individual in accordance with this Standard, the relevant institution should, at minimum, consider the relevant information outlined below:
 - a. whether the individual meets any relevant training, qualification and competence requirements associated with the function they currently perform or are intended to undertake;
 - b. whether the person possesses any relevant license or certification required or recommended by the organization's policies, procedures or guidelines;
 - c. whether the individual possesses knowledge of relevant laws, practices, standards, codes, guidelines and regulatory rules that apply to the functions that they would perform;
 - d. whether the proposed appointee possesses relevant knowledge of the financial industry, and the regulatory obligations that licensees and other relevant institutions are subject to;
 - e. whether the person possesses relevant knowledge of the organisation, its business model, regulatory obligations and fiduciary obligations to relevant stakeholders, clients and customers, particularly depositors;
 - f. whether the person has demonstrated any evidence of incompetence, negligence, or mismanagement. This may manifest through actions such as the individual being disciplined by a professional, trade, or regulatory body. It could also be evident if the person has been dismissed or asked to resign from any position or office due to negligence, incompetence, or mismanagement.
 21. When evaluating whether a person meets the competence and capability criteria, licensees and other relevant institutions should consider various factors including the time elapsed since the event that rendered the person incompetent to serve in any of the relevant position, the gravity of the event and the level of responsibility the person is to assume.
 22. The evaluation of competence should be conducted on a case-by-case basis, considering the circumstances of the individual in question.

3.3.2 Probity, Integrity and Reputation

23. Financial institutions are organizations of trust. It is therefore important that all relevant persons in charge of the management or control of the financial institution is honest and of good repute.

24. A relevant person is considered to be of good repute if there is no evidence to suggest otherwise.
25. A person will not be deemed “fit and proper” by the Bank if that person was found to be dishonest and or if their integrity and reputation are of ill-repute. When determining the integrity and reputation of a person under this Standard, the relevant institution should consider all relevant matters included in Paragraph 25 below.
26. In assessing a person’s level of probity, integrity and reputation to hold a position as a relevant person, at minimum, consideration should be given to matters including, but not limited to the following information that is required from the nominee, the licensee/relevant institution and/or prosecution authority. That is, whether the individual:
 - a. has been found guilty by a court or other competent authority for fraud, dishonesty or misfeasance financial crime or an offence under legislation relating to a financial institution including FHCs, commercial banks, merchant banks, building societies, credit unions, friendly societies, securities dealers, trust and pension funds, microcredit institutions insurance companies, cambios, money services businesses, payment system providers, Fintech companies and other financial services;
 - b. has been the subject of any adverse findings or any settlement in existing or previous investigation or disciplinary proceedings by the Supervisor, other past or existing regulatory authorities, professional bodies or government bodies or agencies;
 - c. has been the subject of any justified complaint relating to regulated activities;
 - d. has been disqualified by a court of competent jurisdiction from being a director;
 - e. has been dismissed, or asked to resign and resigned, from employment or from a position of trust, fiduciary appointment or other similar positions;
 - f. has been honest in all their dealings with any regulatory body and whether the person demonstrates a readiness and willingness to comply with the requirements and standards of the BOJ and with other legal, regulatory and professional requirements and standards;
 - g. has been censured, disciplined or disqualified by any professional or regulatory body in relation to any trade, business or profession;
 - h. has been sanctioned and is named on a sanctions list by a governmental or international organisation.
 - i. has been found guilty under any legislative provisions, made by or under any written law designed to protect members of the public against financial loss due to dishonesty, incompetence or malpractice;

- j. has been found guilty under any requirements or standards of the regulatory system or the equivalent standards or requirements of other regulatory authorities (including a previous regulator) professional bodies or government bodies or agencies whether in Jamaica or overseas;
 - k. has been the subject of any proceedings of a criminal nature, or has been notified of any potential proceedings or of any investigation which may lead to those proceedings and there have been adverse interim or final findings against the person;
 - l. has been a director of, or directly concerned in the management of, or functioned as a key employee in a licensee, or any other entity offering financial services or functioning as a financial holding company which has been wound up by the court;
 - m. has been a director of, or directly concerned in the management of, or functioned as a key employee in a licensee, or any other entity offering financial services or functioning as a financial holding company the licence of which has been revoked, unless the revocation was consequent upon (a) the amalgamation of that licensee with another licensee; or (b) a voluntary winding up of the licensee in compliance with section 107 of the BSA;
 - n. has been a director of, or directly concerned in the management of, or functioned as a key employee in a licensee, or any other entity offering financial services or functioning as a FHC the licence of which has been refused registration, authorisation, membership or a licence to carry out a trade, business or profession, or has had that registration, authorisation, membership withdrawn or terminated, or has been expelled by a regulatory authority or government body;
 - o. has been a director of, or directly concerned in the management of, or functioned as a key employee in a licensee, or any other entity offering financial services or functioning as a FHC that has gone into receivership, insolvency, liquidation or administration, or has entered into a composition with its creditors while the person has been connected with the entity;¹ and
 - p. has been a director of, or directly concerned in the management of, or functioned as a key employee in a licensee, or any other entity offering financial services or functioning as a FHC whose business has been conducted imprudently or fraudulently.
36. In considering the reputation of a substantial shareholder, director, officer or key employee under the Standard, a relevant institution should have regard to whether that person's reputation might have an adverse impact

¹ According to Black's Law Dictionary (7th Edition), Composition refers to an agreement between a debtor and two or more creditors for the adjustment or discharge of an obligation for some lesser amount; ... [whereby], the debtor is discharged in full for the debts of the participating creditors.

upon the institution for which the function is to be performed and the person's roles and responsibilities.

3.3.3 Financial Integrity

37. Demonstrating proper and prudent management of one's financial affairs is indicative of the individual's ability to contribute to the safety and soundness of a financial institution and its interests.
38. In assessing financial integrity, the relevant institution and BOJ shall consider all relevant factors including, inter alia, whether the relevant person has:
 - a. been non-compliant with any tax and other statutory requirements;
 - b. been adjudged bankrupt or had assets seized by a Court in Jamaica or elsewhere;
 - c. failed to satisfy any debt or award adjudged by a Court in Jamaica or elsewhere, to be due and payable;
 - d. entered into arrangements with their creditors;
 - e. Whether the person has filed for bankruptcy, had a bankruptcy petition served on them, subjected to a bankruptcy restrictions order, offered a bankruptcy restriction undertaking, is a bankrupt who has recently been discharged², had assets seized or been involved in any similar financial circumstances; and
 - f. experienced significant personal financial challenges, consistent pattern of over-indebtedness and whether these challenges have resulted in legal actions, recovery efforts, or debt collection proceedings.
39. Of note, a person's limited financial means should not affect the person's ability to meet the financial soundness criteria.

When evaluating whether a person meets the financial soundness criteria, a relevant institution should consider various factors including the time elapsed since any of the events mentioned within paragraph 38 above, the event, the gravity of the event, and the level of responsibility to be assumed by the person in the organization.

² To deem a recently discharged bankrupt fit and proper, the Bank would have to consider the recency and circumstances surrounding the discharge.

PART 4: SUITABILITY

40. An individual can be deemed to be “fit and proper” but may not qualify as “suitable” to perform a certain role because they do not satisfy all the criteria for suitability discussed below.
41. The assessment criteria for suitability will include:
 - Time commitment
 - Conflict of interest

4.1 Time Commitment

42. All board of directors, officers (senior managers), independent control function personnel and key employees must have sufficient time to devote to the performance of their duties effectively, even during periods of increased activity.
43. When assessing whether a relevant person meets the time commitment criteria for suitability, the institution should consider the following:
 - a. The person’s other mandates, professional obligations or non-professional activities, voluntary work or political involvement, to determine the overall time required to fulfil such commitments; and
 - b. Whether the person will be able to fulfil their duties in periods of particularly increased activity or stress.

Time Commitment Assessments

44. In making its determination, licensees and other relevant institutions must take the following into consideration.
45. In relation to board of director, the institution should:
 - a. evaluate the number of concurrent directorships held by the board member in other entities;
 - b. consider any special roles (e.g., chairperson, committee member) the director assumes on other boards;
 - c. consider the nature and responsibilities of the board member, including roles such as Chair, committee member, and the independence status of the member;
 - d. consider the board member’s directorships in other financial entities not affiliated with the financial group of the relevant institution under consideration;
 - e. take account of the size, complexity, nature and scope of the company or companies the director holds directorship;

- f. consider the availability of the board member for meetings with BOJ, other competent authorities and regulator;
 - g. take account of the size, complexity, nature and scope of external professional or political activities, as well as any other functions and relevant activities, both within and outside the financial sector, whether in Jamaica or elsewhere; and
 - h. consider whether the board member will have sufficient time for training and staying informed about information and regulations relevant to the institution.
46. In relation to officers and independent control functions personnel:
- a. Officers (senior management) are expected to dedicate sufficient time to their roles in order to fulfil their responsibilities effectively. This includes, but is not limited to, regular working hours, participation in meetings, time for training, strategic planning and other duties essential to the efficient operations of the relevant institution. As a general rule, these positions are assumed to be full-time.
 - b. Heads of the independent control functions are expected to commit sufficient time to fulfil their responsibilities effectively. This includes keeping regular working hours, making time for training, participating in risk and compliance-related activities, conducting audits, and responding to emerging risks. As a general rule, these positions are assumed to be full-time.
47. The evaluation of time commitment should be conducted on a case-by-case basis and must take account of the circumstances of the individual in question. Additionally, factors such as the nature and complexity of activities, the size, risk profile and organizational structure of the institution should be considered.

4.2 Conflicts of Interest

48. Conflict of interest under this Standard is any situation where a relevant person's personal interests or that of others could conflict with the interests of the relevant institution. Conflicts of interest can be real, potential or perceived.
49. Conflicts of interest may hinder an individual's capacity to execute his or her responsibilities with the requisite independence and objectivity. Conflict of interest can interfere or limit one's independence of mind. Independence of mind under this Standard refers to the ability of a director, senior management, person responsible for an independent function and certain

key employees to make decisions based on their objective judgment, free from any undue influence or bias.

50. When assessing if there is perceived, potential or actual conflict of interest the relevant institution must consider elements such as economic interests, personal relationships, professional relationships and political influence and relationships. Please see Table 1 below:

Table 1: Potential Conflicts of Interest

CATEGORY OF CONFLICT	PERIOD	DEGREE AND TYPE OF CONNECTION AND, WHERE APPLICABLE, THRESHOLD
Personal	Current	<p>The appointee:</p> <ul style="list-style-type: none"> i. has a close personal relationship with substantial shareholder, director, senior manager of person in charge of a control function or key employee in the relevant institution. ii. is a party in legal proceedings against the relevant institution or against its parent or its subsidiaries; iii. conducts significant business, in private or through a company, with the relevant institution, its parent company or its subsidiaries.
Professional	Current or over the past three years	<p>The appointee or a close personal relation:</p> <ul style="list-style-type: none"> i. holds at the same time a management or senior staff position in the relevant institution, its parent company or its subsidiaries. ii. has a significant commercial relationship³ with the relevant institution, its parent company or its subsidiaries.
Financial	Current	<p>The appointee or a close personal relation has a substantial financial interest⁴ in or financial obligation to:</p> <ul style="list-style-type: none"> i. the relevant institution; ii. the parent or its subsidiaries; iii. any of the relevant institutions' clients; iv. any of the relevant institutions' competitors.

³ The significance of the commercial interest will depend on the financial value it represents to the business of the appointee or his close personal relation.

⁴ Examples of financial interests/obligations are shareholdings, other investments and loans.

		<p>The substantiality depends on what (financial) value the interest or obligation represents to the financial resources of the appointee. The following would in principle be considered non-material:</p> <ul style="list-style-type: none"> i. all non-preferential (i.e. under standard market conditions of the relevant bank) secured, personal loans (such as private mortgages) that are performing; ii. aggregate counterparty exposure below the thresholds outlined in sections 57 and 58 of the Banking Services Act, 2014.
Political	Current or over the past two years	<p>The appointee or a close personal relation holds a position of high political influence⁵.</p> <p>The materiality of the conflict of interest depends on whether there are specific powers or obligations inherent in the political role, which would hinder the appointee from acting in the interest of the licensee.</p>

51. Relevant institutions should have in place board-approved conflict of interest policy and procedures that should identify actual or potential conflicts of interest of relevant person, and assess whether or not these conflicts are material. The conflict of interest policy and procedures should be tailored to the relevant institution and should include appropriate mechanisms for identifying, reporting, mitigating, managing and where necessary preventing conflicts of interest, whether actual, potential or perceived.
52. When evaluating all circumstances related to a conflict of interest and deciding whether it is material and will impact the suitability of the person involved, the relevant institution must:
- a. record the identified conflict of interest with a written description;
 - b. conduct a thorough assessment of the situation;
 - c. document the institution's decision regarding the mitigating or preventive measures it will implement; and
 - d. evaluate the effectiveness of the measures in preventing the conflict of interest from compromising individuals' independence of mind or causing adverse impacts on the organization.

⁵ "High influence" is possible at every level: local politician (e.g. mayor); regional or national politician (e.g. cabinet); public employee (e.g. governmental job); or state representative.

PART 5: SUPERVISORY APPROACH TO FIT AND PROPER ASSESSMENTS

53. Bank of Jamaica has an obligation to ensure that all licensees are satisfactorily executing on their obligation as set out under section 37 of the BSA. In this regard, the bank will undertake a risks-based approach to the assessment of fitness and probity of relevant persons. This includes a review of the requisite information submitted periodically as set out below, the findings of ongoing supervision as well as the execution of interviews with relevant parties as is necessary.
54. In order to obtain complete information about a person's suitability, the supervisor uses a wide range of sources, such as:

Table 2: Documentation and frequency for Fitness, Propriety and Suitability Assessments

	DOCUMENT	REQUIRED FREQUENCY	COMMENTS
1.	Fully completed and duly certified Personal Questionnaire (PQ)	Initially	PQs are required prior to effecting appointments of relevant persons. Information provided relates to the individual both in their personal and professional capacity.
		Annually	PQs are to be submitted as at 31 December, within 60 days of the calendar year end.
2.	Police clearance reports from the Jamaica Constabulary Force (JCF)	Initially and every five years thereafter.	The Bank requires original receipts evidencing proof of payment of the requisite fees to the Collector of Taxes for JCF reports; and a collection date noted by the JCF. These reports will be collected directly from the JCF by the Bank.
3.	Clearance reports from the Financial Investigations Division (FID)	Initially and every five years thereafter; or at such other frequency as the Supervisor deems necessary.	Payment for these reports is the responsibility of the relevant institution. Required funds should be wired to the FID, with approved wire transfer confirmation submitted to the Bank for verification.
4.	Overseas law enforcement	Initially	This requirement applies to individuals who have at any time worked, studied or habitually resided in overseas jurisdictions for six or

	clearance reports		more months, since attaining the age of eighteen years. These clearance reports are required to be requested by the licensee from the law enforcement agency within each applicable jurisdiction. The overseas law enforcement agency is to be requested to submit their report (in English) directly to the FISD.
		Every five years	This requirement applies to an individual who has habitually resided in an overseas jurisdiction for six or more months, subsequent to the last “fit and proper” assessment.
5.	Electronic Photograph	Initially and every five years thereafter.	This requirement applies to all relevant persons who reside overseas. A photograph is not required in cases where this is already embedded in the JCF clearance reports.
6.	Credit Report	Initially	Required for new relevant persons. Payment for these reports is the responsibility of the relevant institution. The institution is required to request consent for credit report from the relevant person (Director/Officer/Key Employee/Significant Shareholder), and instruct relevant credit bureau to deliver Credit Report Directly to BOJ to maintain chain of custody between the credit bureau and BOJ.
		Every five years	Required for continuing persons due for their five year comprehensive review. Payment for these reports is the responsibility of the relevant institution. Institution is required to request consent for credit report from the relevant person (Director/Officer/Key Employee/Significant Shareholder), and instruct relevant credit Bureau to deliver Credit Report Directly to the BOJ to maintain chain of custody between Credit Bureau and the BOJ.

7.	Detailed and complete due diligence on the individual ⁶	Initially	In addition to the requisite “fit and proper” documentation, the relevant institution shall provide the Bank with a detailed report on the findings of its own evaluation, which served as the basis for determining that the proposed individual is “fit and proper and suitable”. This should include at minimum the fitness, propriety and suitability criteria included in this Standard.
		Every five years	In addition to the requisite “fit and proper” documentation, the relevant institution shall provide the Bank with a detailed report on the findings of its own evaluation, which served as the basis for determining that the proposed individual remains “fit and proper and suitable”. This should include a report of the individual’s competence performance over the past five years since their last assessment.

5.1 Fit and Proper Determinations

5.3.1 Communication of Decision

55. The relevant institutions are required to await the final determination of fitness and propriety by the SC or the Supervisor before effecting appointments to the board of directors.

5.3.2 Appeal of Decision

56. Every person who is aggrieved by a decision of the, SC as to whether a person is “fit and proper”, may appeal to the Supervisory Appeals Board in accordance with section 28 of the BSA.

5.3.3 Enforcement of Decision

57. Relevant institutions are obligated to ensure that the relevant persons are “fit and proper”. As such, licensees commit an offence under the BSA when the obligations are not met. These offences include:

⁶ Section 37 of the BSA provides that every licensee shall ensure that each substantial shareholder, director, officer and key employee is and remains a “fit and proper” person.

- a. Failure of a relevant institution to ensure that each relevant person is and remains a “fit and proper” person;
- b. Failure of a FHC to ensure that all members of any financial group comply with the obligation to ensure that each relevant person is and remains a “fit and proper” person;
- c. Failure of a relevant institution to notify the Supervisor regarding dismissals and resignations of relevant persons and the respective reasons for same; and
- d. Failure to notify of emerging factors that affect whether a director, officer, substantial shareholder, or key employee is a fit and proper person.

The offenses set out above carries fixed penalties of J\$4.5 million or J\$7.5 million per breach as outlined in the eight (8th) schedules of the BSA.

-End-