



Frequently Asked Questions - Assessment and authorisation of members of corporate bodies

Individual assessment of suitability for the exercise of functions

1. What is the individual assessment of suitability for the exercise of functions?
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1. What is the collective assessment of the management body or supervisory body?
2. Who is responsible for the collective assessment of management or supervisory bodies?

Individual assessment of suitability for the exercise of functions

1. What is the individual assessment of suitability for the exercise of functions?

The individual assessment of suitability for the exercise of functions is an assessment of an eligible person aiming at ensuring that such person meets, at all times, the conditions to ensure the sound and prudent management of an institution, with a view, in particular, to safeguarding the financial system and the interests of their customers, depositors, investors and other creditors. It evaluates whether an eligible person complies with the legal requirements to exercise his or her functions (reputation, professional qualification and experience, independence and time commitment).

2. Who is responsible for the individual assessment of suitability for the exercise of functions?

The assessment of suitability is primarily the responsibility of the institutions. Institutions must ensure an eligible person complies at all times with the applicable legal requirements, taking the measures they consider appropriate to remedy any weaknesses identified. Banco de Portugal independently assesses whether eligible persons comply with the legal suitability requirements, specifically as regards the authorisation process for the exercise of functions. The documents Banco de Portugal collects when directly supervising institutions may trigger a reassessment. Measures taken by Banco de Portugal do not relieve institutions of their responsibility to ensure at all times that eligible persons comply with the applicable legal requirements. In the case of members of management or supervisory bodies appointed by the State to exercise functions in institutions benefiting from State aid, the assessment of their suitability to exercise their functions is primarily the responsibility of the State.

3. Are the requirements for being a member of a management body the same as those for being a member of a supervisory body?

The legal suitability requirements for members of management and supervisory bodies are reputation, professional qualification and experience, independence and time commitment. A person must comply with these requirements in order to exercise functions in these bodies. In addition, the majority of members of supervisory bodies, including the Chair, must always be formally independent. In the case of the Chair of the supervisory body, this is an additional individual requirement, incremental to the aforementioned suitability requirements. The individual suitability requirements to exercise functions should not be confused with the legal requirement stating that the supervisory body must be composed of a majority of formally independent members. This latter requirement pertains to the proper functioning of the body as a whole and is not an individual requirement for the exercise of functions (with the exception of the Chair of the supervisory body).

4. Do the requirements for being a member of a management or supervisory body depend on the type of institution in question?

Although a common framework is established in the Legal Framework of Credit Institutions and Financial Companies (Regime Geral das Instituições de Crédito e Sociedades Financeiras), special legislation, should it exist, must be consulted relating to each type of institution to verify whether there are any special requirements that may apply.

5. Are there special requirements for being a member of a management body of an institution supervised by Banco de Portugal which is also a public sector company?

Yes. In order to be a member of a management body of an institution supervised by Banco de Portugal which is also a public sector company, in addition to the Legal

Framework of Credit Institutions and Financial Companies (Regime Geral das Instituições de Crédito e Sociedades Financeiras), and the specific legislation applicable to the type of institution in question, special rules applicable to the State corporate public sector and public managers must be taken into account. See: Public Manager Statute, Decree-Law No 71/2007 of 27 March 2007; Rules applicable to the corporate public sector and State-owned enterprises, Decree-Law No 133/2013 of 3 October 2013.

Collective assessment of management or supervisory bodies

1. What is the collective assessment of the management body or supervisory body?

In addition to the individual suitability of the members of management and supervisory bodies, institutions must ensure at all times that these bodies are collectively suitable to exercise their tasks. The collective assessment must be included in the assessment report of the members of the management and supervisory bodies to be submitted to Banco de Portugal. Institutions must ensure the management and supervisory bodies have, as a whole, persons with the relevant qualification and experience, as well as sufficient time commitment to ensure these bodies fully exercise their tasks. Institutions must promote diversity in the composition of their management bodies, both as regards gender and, for example, qualifications and skills. Institutions must ensure the bodies are composed of a group of persons capable of bringing different perspectives to the assessment and decision-making process. The collective assessment may result in the weaknesses of specific members of the body in question being compensated by the strengths of other members, especially in terms of professional qualification and experience and time commitment (provided a minimum level of compliance with these requirements is ensured). In regard to reputation, the assessment is exclusively conducted on an individual basis. The collective supervisory body of an institution must have a majority of formally independent members, including its Chair. The institution must undertake an adequate assessment of its management and supervisory bodies in order to be aware, and enable the bodies responsible for appointing the members of the management and supervisory bodies, namely the general meeting, to be aware, of the strengths and weaknesses of its structures. The institution must verify whether, and to what extent, the qualification, experience or time commitment of certain members compensates for the weaknesses of others, without overlooking the adoption of measures to remedy the weaknesses identified (e.g. through academic or institutional training). This assessment must be included in the assessment report of the members of the management and supervisory bodies to be submitted to Banco de Portugal. Instruction of Banco de Portugal No 12/2015 contains a matrix which enables the institution to objectively carry out and formalise the collective assessment of management and supervisory bodies. The matrix is designed for a collective assessment of the skills accumulated in the institution's corporate bodies and is assessed as a whole. Thus, the less favourable qualification of any member relating to aspects analysed in the matrix may not have an impact on the individual assessment of his or her suitability to exercise the functions the institution intends him/her to perform. A collegiate body should bring together persons with different characteristics, namely with varying degrees of knowledge of the issues in question and differing professional experience, within or outside the institution.

2. Who is responsible for the collective assessment of management or supervisory bodies?

The collective assessment of collegiate bodies is primarily the responsibility of the institution and thereafter that of Banco de Portugal or the European Central Bank, as supervisory authority. The assessment of Banco de Portugal or the European Central Bank does not relieve institutions of their responsibilities.