

Guidance on Corporate Governance for banking institutions



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1. INTRODUCTION

Corporate Governance refers to the processes, structures and information used for directing and overseeing the management of an institution.

Governance approaches will differ among banking institutions. However, the fundamental elements of good governance include active concern with, understanding of and diligent discharge of responsibilities in a prudent manner.

For the purposes of this document, the term “banking institution” or “bank” should be taken to mean a banking institution in both a solo and a consolidated context.

Key elements of the Basel Core Principles for Effective Banking Supervision, which are supported by the Financial Supervision Commission, are appropriate and effective corporate governance, and the effective exercise of the responsibilities of the Board of Directors and Senior Management. The Basel Committee has issued several papers relating to corporate governance and the various areas of risk management. These are accessible on its website: www.bis.org. The new capital adequacy proposals issued by Basel (CAD II) also place much emphasis upon operational risk.

The Financial Supervision Commission (“the Commission”) has issued a Guidance Note on the responsibilities and duties of Directors under the laws of the Isle of Man, which is available on the Commission’s website.

It is the responsibility of the Board of Directors and Senior Management to ensure that a bank has a satisfactory level of Corporate Governance relative to its size and the nature of its business (including risk) and the activities undertaken.

This document is intended to provide the industry with an outline of what the Commission expects from Isle of Man-licensed banks without being too detailed or prescriptive and recognises that much depends upon the size and complexity of the operations. It emphasises the separate responsibilities of the Directors and the Senior Management.

It should be noted that Commission staff will use this as a reference document when evaluating the appropriateness and effectiveness of a banking institution’s corporate governance.

2. THE BOARD OF DIRECTORS

Summary of sound business and financial practice for the Board of Directors

In setting out the principles of sound business and financial practice, the Commission recognises that banking institutions will need to take account of group policy that will automatically be applicable to the Isle of Man banking subsidiary.

It is sound business and financial practice for the Board of Directors to:

- (1) understand its responsibilities and evaluate objectively, on a regular basis, its effectiveness in fulfilling those responsibilities;
- (2) exercise independent judgment in directing and overseeing the operations of the banking institution;
- (3) establish the responsibilities and authority of committees of the Board and of the Senior Management, as well as accountability requirements for them;
- (4) appoint individuals who are suitably qualified and capable of managing the operations of the bank effectively and prudently to Senior Management positions, and plan for their succession;
- (5) satisfy itself, on a regular basis, that the bank's remuneration policy is consistent with the sustainable achievement of the bank's business objectives, the prudent management of its operations and the risks to which it is exposed, and adherence to its processes, policies, procedures and controls;
- (6) evaluate, on a regular basis, the effectiveness and prudence of Senior Management in managing the operations of the bank and the risks to which the bank is exposed;
- (7) oversee strategic management, which embraces:
 - (a) establishing the business objectives of the banking institution; considering and approving its business strategy and its business plans for significant operations; and reviewing these at least once a year to ensure that they remain appropriate and prudent in light of the bank's current and anticipated business and economic environment, resources and results;
 - (b) evaluating frequently the bank's actual operating and financial results against forecast results, in light of the bank's business objectives, business strategy and business plans; and

- (c) obtaining, on a regular basis, reasonable assurance that the bank has an ongoing, appropriate and effective strategic management process.
- (8) oversee risk management, which includes:
- (a) understanding the significant risks to which the bank is exposed, including the following:
 - (i) Assets and liabilities, (both on and off balance sheet), including liquidity and funding;
 - (ii) Capital Management;
 - (iii) Counterparty and credit risk;
 - (iv) Operational;
 - (v) Fiduciary;
 - (vi) Market;
 - (vii) Structural (including interest rate and foreign exchange rate);
 - (viii) Systems and controls environment.
 - (b) establishing appropriate and prudent risk management policies for those risks;
 - (c) establishing appropriate risk management and compliance procedures for dealing with regulatory matters and timely reporting to the regulator;
 - (d) reviewing those policies at least once a year to ensure that they remain appropriate and prudent; and
 - (e) obtaining, on a regular basis, reasonable assurance that the bank has an ongoing, appropriate and effective risk management and control process and that its risk management policies for significant risks are being adhered to.
- (9) establish standards of business conduct and ethical behaviour for the Directors, Senior Management and other personnel, and obtain, on a regular basis, reasonable assurance that the bank has an ongoing, appropriate and effective process for ensuring adherence to those standards.

3. SENIOR MANAGEMENT

Summary of sound business and financial practice for the Senior Management

3.1 Strategic Management

It is sound business and financial practice for Senior Management to ensure that the banking institution has an ongoing, appropriate and effective strategic management process for:

- (a) developing and submitting to the Board of Directors for its consideration and approval a business strategy for the bank that takes into account its business and economic environment, its financial position, and the risks to which it is or will be exposed in conducting its current and planned operations;
- (b) developing and submitting to the Board for its consideration and approval, business objectives for the bank;
- (c) developing business plans for the bank, and submitting business plans for significant operations to the Board for its consideration and approval;
- (d) implementing the bank's business strategy and business plans;
- (e) reviewing the bank's business objectives, business strategy and business plans at least once a year to ensure that they remain appropriate and prudent;
- (f) providing the Board with timely, relevant, accurate and complete reports on the implementation of the bank's business strategy and its business plans for significant operations, and on the bank's actual operating and financial results as against forecast results; and
- (g) providing the Board with timely, relevant, accurate and complete reports that will enable it to assess whether the bank has an ongoing, appropriate and effective strategic management process.

3.2 Risk Management

It is sound business and financial practice for Senior Management to ensure that the banking institution has an ongoing, appropriate and effective risk management process for:

- (a) identifying the risks to which the bank is or will be exposed, whether on- or off-balance sheet and whether directly or through one or more of its subsidiaries, in conducting its current and planned operations, and measuring those risks on an aggregate basis;
- (b) measuring, on an aggregate basis, the different types of risk to which the bank is or will be exposed in relation to a single counterparty or issuer and groups of associated counterparties or issuers;
- (c) assessing whether the risks that are identified constitute significant risks;
- (d) developing appropriate and prudent risk management policies, including policies on aggregate exposure limits;
- (e) submitting to the Board of Directors, for its consideration and approval, policies for managing significant risks;
- (f) reviewing the bank's risk management policies at least once a year to ensure that they remain appropriate and prudent;
- (g) managing the risks to which the bank is exposed in accordance with its risk management policies;
- (h) establishing appropriate and effective procedures and controls for managing the risks to which the bank is exposed, monitoring adherence to those procedures and controls, and reviewing them on a regular basis to ensure that they remain appropriate and effective;
- (i) providing the Board with timely, relevant, accurate and complete reports on the management of significant risks and on the procedures and controls for managing those risks;
- (j) dealing with extraordinary events; and
- (k) providing the Board with timely, relevant, accurate and complete reports that will enable it to assess whether the bank has an ongoing, appropriate and effective risk management process.

3.2.1 Liquidity and Funding Management

It is sound business and financial practice for Senior Management to ensure that the banking institution has an ongoing, appropriate and effective liquidity and funding management process for:

- (a) identifying the ongoing liquidity and funding needed to enable the bank to conduct its operations, including operations conducted through one or more of its subsidiaries;
- (b) developing and submitting to the Board of Directors for its consideration and approval appropriate and prudent liquidity and funding management policies. These should include policies on the sources, types and levels of liquidity that are to be maintained by the bank and policies that are designed to prevent the bank's funding from becoming unduly concentrated with respect to source, type, term to maturity or currency of denomination;
- (c) managing the bank's liquidity and funding in accordance with its liquidity and funding management policies;
- (d) establishing appropriate and effective procedures and controls for managing the bank's liquidity and funding, monitoring adherence to those procedures and controls, and reviewing them on a regular basis to ensure that they remain appropriate and effective;
- (e) establishing a liquidity and funding contingency plan for the bank and reviewing that plan on a regular basis;
- (f) providing the Board with timely, relevant, accurate and complete reports on the bank's liquidity and funding positions and on the procedures and controls for managing its liquidity and funding; and
- (g) providing the Board with timely, relevant, accurate and complete reports that will enable it to assess whether the bank has ongoing, appropriate and effective liquidity and funding management processes.

3.2.2 Capital Management

It is sound business and financial practice for Senior Management to ensure that the banking institution has an ongoing, appropriate and effective capital management process for:

- (a) identifying the capital needed to support the current and planned operations of the bank, including operations conducted or to be conducted through one or more of its subsidiaries;
- (b) developing and submitting to the Board of Directors for its consideration and approval appropriate and prudent capital management policies, including policies on the quantity and quality of capital needed to support the current and planned operations of the bank that reflect both the risks to which it is exposed and its regulatory capital requirements;
- (c) regularly measuring and monitoring the bank's capital requirements and capital position, and ensuring that it meets and will continue to meet its regulatory capital requirements;
- (d) managing the bank's capital in accordance with its capital management policies;
- (e) establishing appropriate and effective procedures and controls for managing the bank's capital, monitoring adherence to those procedures and controls, and reviewing them on a regular basis to ensure that they remain appropriate and effective;
- (f) providing the Board with timely, relevant, accurate and complete reports on the bank's capital position and on the procedures and controls for managing its capital;
- (g) providing the Board with timely, relevant, accurate and complete reports that will enable it to assess whether the bank has an ongoing, appropriate and effective capital management process.

3.2.3 Counterparty and Credit Risk

- (a) It is sound business and financial practice for Senior Management of a banking institution that is exposed to significant credit risk to ensure that it has ongoing, appropriate, effective and prudent policies on:
 - (i) the areas and types of credit, both on- and off-balance sheet, in which the bank is willing to engage; and
 - (ii) exposure limits for a single counterparty, for groups of associated counterparties, for industries or economic sectors, for geographic regions and for other credit exposures warranting aggregation, that take into account all other risks, both on- and off-balance sheet, to which the bank is exposed.

- (b) It is sound business and financial practice for Senior Management of a banking institution that is exposed to significant credit risk to ensure that it has ongoing, appropriate and effective procedures and controls for managing that risk, including:
 - (i) defined and prudent levels of decision-making authority for approving credit exposures;
 - (ii) an effective assessment and rating system for credit risk; and
 - (iii) an ongoing, appropriate and effective process for managing credit exposures that warrant special attention; and, an effective methodology for identifying, estimating, providing for and recording credit impairments.

3.2.4 Operational Risk

- (a) It is sound business and financial practice for Senior Management to ensure that the banking institution has ongoing, appropriate, effective and prudent policies on:
 - (i) the operational risk that is inherent in the operations of the bank; and
 - (ii) in respect of banks that use outsourced services in conducting significant operations:
 - I. the circumstances in which outsourced services may be used;
 - II. the selection of capable and reliable service providers;
 - III. the standards of quality for outsourced services, including standards relating to accuracy, security and timeliness; and,
 - IV. the monitoring of the performance of, and the risks associated with, service providers.
- (b) It is sound business and financial practice for Senior Management to ensure that the banking institution has ongoing, appropriate and effective procedures and controls for managing operational risk, including:
 - (i) a human resource management programme that encompasses:
 - I. an ongoing, appropriate and effective process to attract and retain a sufficient number of qualified personnel to achieve the bank's business objectives and implement its business strategy and business plans;
 - II. defined and prudent levels of decision-making authority;
 - III. the segregation of incompatible functional responsibilities;
 - IV. the clear communication to personnel of their responsibilities; and
 - V. the effective supervision of personnel;
 - (ii) documentation of the bank's significant processes, policies, procedures and controls;
 - (iii) valuation methods and accounting principles for the appropriate valuation of, and accounting for, the bank's assets and liabilities, both on- and off-balance sheet;

- (iv) accurate and complete records of financial and other key information;
- (v) management information systems that provide timely, relevant, accurate and complete information to facilitate the day-to-day management of the bank's operations and of the risks to which the bank is exposed;
- (vi) ongoing, appropriate and effective technology development and maintenance processes for ensuring:
 - I. that the bank's technology is, and continues to be, aligned with its business objectives, business strategy, business plans, operational needs and management of the risks to which it is exposed;
 - II. that the bank's technology is authorised, tested and documented before it is introduced; and
 - III. that the bank's technology is updated when necessary;
- (vii) appropriate and effective security procedures and controls for safeguarding:
 - I. the bank's records of financial and other key information;
 - II. the bank's technology; and
 - III. the information recorded, processed, reported and stored using that technology, including procedures and controls for safeguarding their integrity;
- (viii) ongoing, appropriate and effective business continuity plans, including backup and recovery processes and standby arrangements for dealing with the loss of availability or the destruction of critical information or critical technology; and
- (ix) ongoing, appropriate and effective procedures for ensuring compliance with anti-money laundering legislation and to generally protect the banking institution from money launderers.

3.2.5 Fiduciary Risk

- (a) It is sound business and financial practice for Senior Management to ensure that the banking institution has ongoing, appropriate, effective and prudent policies on the types of fiduciary activities in which it is willing to engage.
- (b) It is sound business and financial practice for Senior Management to ensure that a banking institution that is exposed to significant fiduciary risk has ongoing, appropriate and effective procedures and controls for managing that risk, including:
 - (i) an ongoing, appropriate and effective process for ensuring that assets held, administered, managed or invested on behalf of other persons are dealt with prudently and in accordance with the agreements and arrangements made between the banking institution and those persons; and
 - (ii) an ongoing, appropriate and effective process for ensuring that the investment advice provided to other persons is suitably represented and appropriate in light of their risk tolerances and reward expectations.

3.2.6 Market Risk

- (a) It is sound business and financial practice for Senior Management to ensure that a bank that is exposed to significant market risk has ongoing, appropriate, prudent and effective policies on:
 - (i) the types of financial instruments and other investments, both on- and off-balance sheet, in which the bank is willing to trade or take positions; and
 - (ii) exposure limits for a single issuer, for groups of associated issuers, for types of financial instruments and other investments or assets, for industries or economic sectors, for geographic regions and for other market exposures warranting aggregation, that take into account all other risks, both on- and off-balance sheet, to which the bank is exposed.

- (b) It is sound business and financial practice for Senior Management to ensure that a banking institution that is exposed to significant market risk has ongoing, appropriate and effective procedures and controls for managing that risk, including:
 - (i) defined and prudent levels of decision-making authority for approving market exposures;
 - (ii) fixed quality and return expectations for market exposures;
 - (iii) lists of suitably qualified securities dealers and other counterparties with whom the bank is willing to deal;
 - (iv) reliable data and techniques such as stress testing and shock testing, for assessing the nature, quality and value of the bank's market exposures and for evaluating the extent of market risk to which the bank is or will be exposed under current and reasonably foreseeable scenarios;
 - (v) effective techniques for back-testing against actual results the assessments and evaluations made using the data and techniques referred to in paragraph (iv); and,
 - (vi) an effective methodology for identifying, estimating, providing for and recording market impairments.

3.2.7 Structural Risk (including interest rate and foreign exchange rate risks)

- (a) It is sound business and financial practice for Senior Management to ensure that the banking institution has ongoing, appropriate, effective and prudent policies on the types and extent of structural risk to which it is willing to be exposed.
- (b) It is sound business and financial practice for Senior Management to ensure that the banking institution has ongoing, appropriate and effective procedures and controls for managing structural risk, including:
 - (i) defined and prudent levels of decision-making authority; and
 - (ii) techniques, such as stress testing and shock testing, for measuring the bank's structural risk positions and for evaluating the impact on those positions of changes in underlying factors under current and reasonably foreseeable scenarios.

3.2.8 Systems and Control Environment

- (a) It is sound business and financial practice for Senior Management to ensure that the banking institution has an ongoing, appropriate and effective:
 - (i) control environment that supports the appropriate, effective and prudent management of its operations and of the risks to which it is exposed, and that contributes to the achievement of its business objectives; and
 - (ii) procedure to ensure the Board of Directors is provided with timely, relevant, accurate and complete reports that will enable it to assess whether the bank has such a control environment and that it is operating effectively.
- (b) It is sound business and financial practice for Senior Management to ensure that the banking institution has an ongoing, appropriate and effective process for assisting the Board to assess whether the bank is in control.

3.3 Business Conduct and Ethical Behaviour

It is sound business and financial practice for Senior Management to ensure that the banking institution has ongoing, appropriate and effective procedures to:

- (1) develop and submit to the Board of Directors, for its consideration and approval, standards of business conduct and ethical behaviour for the bank's Senior Management and other personnel;
- (2) ensure adherence to the bank's standards of business conduct and ethical behaviour; and
- (3) ensure that the Board is provided with timely, relevant, accurate and complete reports that will enable it to assess whether the bank has a process referred to in paragraph (2).

4. GENERAL GUIDANCE FOR BANKING INSTITUTIONS

Training for Directors

It is good practice for all Directors to receive or to have received training on their legal duties prior to or shortly after being appointed to the Board.

Furthermore, non-executive Directors should have a sufficient understanding of the bank's policies, key risks, control environment and key regulatory requirements in order to evaluate management information and generally oversee the operation of the bank.

It is recommended that there is an induction programme for non-executive Directors.

The FSC has issued a document (available on its website) on the Responsibilities and Duties of Directors under the laws of the Isle of Man.

Training and Development

It is good practice for all Directors and senior officers to maintain appropriate levels of Continuing Professional Development ("CPD"). This assists in keeping up to date with current developments and best practice.

It is recommended that all Directors and senior officers maintain a log of CPD undertaken by them and review and discuss this at appraisals as part of the assessment process.

It is the responsibility of Senior Management to ensure that individuals within the organisation have the appropriate level of training and (if appropriate) a development framework.

Accountability of Directors

The Board of Directors should document in its minutes any matters that it is delegating.

When delegating responsibilities, the Directors need to remember that they remain accountable.

The Board should therefore consider specifying what they require to be included in standard Board agendas, as well as the frequency that such matters should appear on the Board agenda.

The Directors and Senior Management should be aware of the items/matters which need to be referred to the Board and to be documented.

If the Isle of Man operation is a branch, then there should be documented delegated authority from Head Office and a framework in which to operate.

Internal Audit function

It is good practice for all banks to have an internal audit function.

This can take the form of one or more of the following:

1. An in-house internal audit function;
2. Where part of a larger group, the group's internal audit function;
3. Outsourced to a third party, for example, a firm of accountants.

Irrespective of the form of the internal audit function, the Board of Directors should review the arrangements, at least annually, to ensure that they are appropriate for the size and nature of its operations.

The Bank for International Settlements ("BIS"), Basel Committee Publication No. 84 "Internal Audit in banks and the supervisor's relationship with auditors" is a useful document that sets out some guiding principles. It is available on the BIS website: www.bis.org.

The FSC believes the relationships between Internal Audit, External Audit and itself are very important. Each can assist the other in discharging their respective duties and responsibilities.

The FSC On-Line Handbook for banking institutions contains an Explanatory Memorandum for the guidance of Auditors and Reporting Accountants of Regulated Financial Services Entities in the Isle of Man.

It would be normal practice for internal and external audit to liaise, at least on an annual basis.

Where appropriate, the FSC will rely on work undertaken by the internal audit function and might request internal audit to undertake particular tasks and report to it.

For the internal audit function to be effective, it should have direct access to the Board.

Risk / Audit Committee

If it is considered appropriate, the Board should establish a specific Risk / Audit Committee. In other instances the Board should assume direct responsibility for this function.

It is good practice for a bank to have a Risk / Audit Committee whose members comprise non-executive Directors who are independent of management. This is a key element of an effective corporate governance regime.

The primary responsibilities of this Committee should be to ensure that appropriate controls and procedures are in place and operating within the business to identify, manage, control and monitor risk. Both the internal audit and the compliance functions would normally provide reports to the Risk / Audit Committee. This Committee will also manage the relationship with external audit on a regular basis (possibly when planning the audit and again to report the findings of the audit).

The Risk/Audit Committee must be objective and provide feedback to the Board on the level of controls and procedures operating within, as well as the levels of risk being taken by, the business.

For the compliance function to be effective, it should have direct access to the Board.

Conflict of interest

A bank should have a policy (ies) and procedures for dealing with conflicts of interest. The policy (ies) should apply to the Board of Directors and its staff, as well as the licenceholder itself, in dealing with professional advisers and customers / clients.

A conflict of interest should be defined as not only one where a conflict of interest does exist but also those instances where it would be reasonable for a reasonable person to assume a conflict of interest could / does exist.

A key element of any policy or procedure in this area is disclosure.

Conflicts of interest may arise in many different areas of the business and the Board and Senior Management need to be proactive in identifying potential circumstances.

Whistle-blowing

Within the procedures manual, there should be a documented procedure for the circumstances in which staff may raise concerns outside of the normal management reporting line structure.

Conduct of business

There should be documented procedures for ensuring customers / clients know the service they can expect and what they will pay for it.

This must include a procedure for customers / clients who wish to make a complaint.

The Isle of Man Office of Fair Trading is responsible for administering the Financial Services Ombudsman Scheme, which covers banking, investment and insurance services offered on or from the Isle of Man.

The Commission recommends banks to follow the voluntary code of banking practice issued by the British Bankers Association in the United Kingdom.

5. USEFUL WEBSITE LINKS

ACCA	Association of Chartered Certified Accountants	www.acca.co.uk
BBA	British Bankers' Association	www.bba.org.uk
BIS	Bank for International Settlements (Basel)	www.bis.org
DTI (UK)	Department of Trade and Industry	www.dti.gov.uk
FSA	Financial Services Authority (UK)	www.fsa.gov.uk
ICAEW	Institute of Chartered Accountants in England and Wales	www.icaew.co.uk
ICSA	Institute of Chartered Secretaries and Administrators	www.icsa.org.uk
IFSRA	Irish Financial Services Regulatory Authority	www.ifsra.ie
IoD	Institute of Directors	www.iod.co.uk
OECD	Organisation for Economic Co-operation & Development	www.oecd.org
OFT	IoM Office of Fair Trading	www.gov.im/oft/ombudsman
World Bank		www.worldbank.org

6. GLOSSARY

"appropriate", in relation to a thing so described, means that a knowledgeable individual in the banking industry would conclude that it is suitable for its intended purpose, having regard to the nature, magnitude, complexity and implications of the matter in question.

"banking institution" and/or **"bank"** mean an institution which is licensed by the Financial Supervision Commission to undertake banking business, in both a solo and a consolidated context.

"Board of Directors" and/or **"Directors"** and/or **"Board"** means the Board of Directors of the banking institution.

"business objectives" means short- and long-term operating and financial objectives.

"business plan" means a detailed description of how particular operations are to be conducted in implementing a business strategy.

"business strategy" means a detailed description of how business objectives are to be achieved.

"capital management" means the determination, allocation and maintenance – as to both quantity and quality – of the capital needed to support current and planned operations.

"control environment" means the environment that results from the following factors: approach to governance, management style, organisational structure, resource commitments, communication style, procedures and controls and the levels of adherence to these, the conduct of personnel, and human resource policies and practices.

"credit risk", in relation to a bank, means the risk of loss to which the bank is exposed that is attributable to the possibility that persons will fail to honour their obligations, whether on- or off-balance sheet, to the bank or to any of its subsidiaries.

"effective", in relation to a thing so described, means that a knowledgeable individual in the banking industry would conclude that it is achieving, or can reasonably be expected to achieve, its intended purpose.

"fiduciary risk", in relation to a bank, means the risk of loss to which it is exposed, whether directly or as a result of adverse effects on its reputation, that is attributable to the possibility that the bank or any of its subsidiaries will breach their duties or obligations in the course of holding, administering, managing or investing assets on behalf of other persons, or in the course of providing investment advice to other persons.

"funding management" means the management of the sources, levels and concentration of funding, both on- and off-balance sheet.

"liquidity management" means the management of cash flow and the concentration of assets and liabilities, both on- and off-balance sheet, for the purpose of obtaining a desired relationship between cash inflows and cash outflows.

"market risk", in relation to a bank, means the risk of loss to which it is exposed that is attributable to the possibility of adverse changes in the values of financial instruments and other investments or assets owned by the bank or any of its subsidiaries, whether on- or off-balance sheet, as a result of changes in market rates or prices.

"operational risk", in relation to a bank, means the risk of loss, whether direct or indirect, to which it is exposed that is attributable to the possibility of disruptions in the operations of the bank or any of its subsidiaries caused by external events, human error, or the inadequacy or failure of processes, procedures or controls.

"operations" means business activities and the functions that support those activities.

"prudent", in relation to a thing so described, means that a knowledgeable individual in the banking industry would conclude that it is the product of the exercise of careful and practical judgment, having regard to business objectives, risks, the business and economic environment, and the quantity, quality and sustainability of earnings, liquidity, funding, capital and other resources.

"resources" includes financial, informational and human resources and technology.

"Senior Management", means the Senior Management of the bank, being:

- (a) the chief executive, the managing director and / or the chief operating officer, and any individuals who perform the functions that are normally performed by a chief executive, a managing director and / or the chief operating officer in the banking industry;
- (b) all individuals who are directly accountable to the Board of Directors, or to the chief executive, the managing director and / or the chief operating officer, for the management of a significant operation of the bank; and
- (c) any members of the Board of Directors who are full-time employees of the bank.

"significant operations", in relation to a bank, means operations that have an important influence – whether quantitative or qualitative – on the bank's earnings, liquidity, funding, capital, reputation or brand value, or that are important to the achievement of the bank's business objectives or the implementation of its business strategy and business plans, and includes any such operations that are conducted through one or more subsidiaries of the bank.

"significant risk", in relation to a bank, means a risk or a combination of risks to which it is exposed, whether directly or through one or more of its subsidiaries, that is

important because of the probability of occurrence, the severity of impact or both, and that could have an adverse effect – whether quantitative or qualitative – on the bank's earnings, liquidity, funding, capital, reputation or brand value, or on the ability of the bank to achieve its business objectives or implement its business strategy and business plans.

"structural risk", in relation to a bank, means the risk of loss to which it is exposed that is attributable to the possibility that assets and liabilities, whether on- or off-balance sheet, of the bank or one or more of its subsidiaries, will be mismatched as regards their final maturity dates, re-pricing dates, currency of denomination, or type of commodity.

"technology", in relation to a bank, means the facilities, platforms, computer systems (both hardware and software), data files and other technological systems that support the operations of the bank.