



Boards' efficiency and fit & proper rules in financial organizations

Prof.dr.Lutgart Van den Berghe
Chair ecoDa Policy Committee



Fit & Proper to reach board effectiveness?



GUBERNA
INSTITUUT VOOR BESTUURDERS
INSTITUT DES ADMINISTRATEURS

- Fit & Proper
 - Focus on a-priori check
 - Assessment of collective & individual suitability
- The fit and proper approach is a step towards board effectiveness, but ...
 - insufficient to reach the goal of good governance and effective balanced decision-making



Fit & Proper to reach board effectiveness?



GUBERNA
INSTITUUT VOOR BESTUURDERS
INSTITUT DES ADMINISTRATEURS

- A priori, external check by the supervisor should be complemented by
 - An ex-post, periodic internal board assessment
 - Investigating the board dynamics
- Board dynamics are highly driven by soft factors



Fit & Proper in action



GUBERNA
INSTITUUT VOOR BESTUURDERS
INSTITUT DES ADMINISTRATEURS

- The investigation of the ‘proper’ part is the most straight forward part of the assessment
- Assessment of the ‘fit’ part is much more complex
 - Need for proportionality is very important, in line with
 - Assessment of collective suitability is an important reflection exercise
 - Combination of collective assessment with individual assessment is inspirational for all companies



Periodicity of assessment



GUBERNA
INSTITUUT VOOR BESTUURDERS
INSTITUT DES ADMINISTRATEURS

- NO annual assessment, but a combination of
 - A-priori assessment of the individual suitability: In line with the nomination schedule
 - A-priori assessment of the collective suitability on a periodic basis
 - ❑ Not relevant to do such an in-depth exercise on an annual basis: less is more

