

CENTRAL BANK OF SOLOMON ISLANDS
Financial Market Supervision Department

Prudential Guideline No. 15

**Fit and Proper Requirements for Persons Holding Responsible Persons Position in Licensed
Financial Institutions in Solomon Islands**

Purpose

1. This Prudential Guideline sets out the minimum requirement that Licensed Financial Institutions shall apply in determining the fitness and propriety of individuals who serve in Responsible Persons Positions.
2. The actions of, and decisions made by Responsible Persons, have significant implications for the sound and prudent management of Licensed Financial Institutions. To that end, Licensed Financial Institutions must ensure that Responsible Persons have the degree of probity and competence commensurate with their responsibilities.

Applicability

3. This Prudential Guideline is applicable to financial institutions (FI hereafter) licensed and deemed licensed by the Central Bank.
4. This Prudential Guideline is issued under Section 28(1) and Section 62(2) of the Central Bank of Solomon Islands Act 2012, Section 8(1)(g) of Financial Institutions Act 1998 (as amended), Section 5(1) of the Insurance Act 1996, and Sections 3, 4, and 5 of the Solomon Islands National Provident Act 1996.
5. It shall be the responsibility of the Board of Directors of each FI to ensure it has a fitness and propriety policy for individuals holding Responsible Persons Position and for individuals in positions other than the Responsible Persons Position.
6. For a locally incorporated FI, individuals in Responsible Persons Positions shall include:
 - a. Directors to Board of Directors;
 - b. Senior Executive;
 - c. External Auditor; and
 - d. Actuary
7. For a foreign incorporated FIs operating in Solomon Islands as branches or subsidiaries, persons occupying Responsible Persons Position includes Senior Executives, External Auditors, and Actuaries responsible for the Solomon Islands operations. Individuals nominated by FIs to hold Responsible Persons Positions must get a No Objection Approval from the Central Bank prior to confirming their appointments.

Definitions

8. **“Central Bank”** means the Central Bank of Solomon Islands;
9. **“Director on the Board of Directors”** means person who is appointed to serve as a director of a FI;
10. **“Entity”** means a body corporate, statutory body, partnership, trust or commercial or professional enterprise of any kind;
11. **“Foreign Incorporated FI”** means a FI incorporated outside Solomon Islands which has been licensed as a branch or a subsidiary to conduct a lending or credit institution business, a banking business, an insurance business, or a superannuation business in Solomon Islands. The parent of the foreign branch or subsidiary operating in Solomon Islands is also a Financial Institution licensed by its home licensing or regulatory authority.
12. **“Locally Incorporated FI”** means a FI incorporated in Solomon Islands which has been licensed to conduct a lending or credit institution business, a banking business, an insurance business, or a superannuation business in Solomon Islands.
13. **“No Objection Approval”** means an approval the Central Bank grants to an individual that it considers fit and proper to hold a Responsible Persons Position in a FI in Solomon Islands;
14. **“Responsible Person”** means a person who holds the position of a Director to the Board of Directors, a Senior Executive, an External Auditor, or an actuary of a FI;
15. **“Responsible Persons Position”** means the position of Director on the Board of Directors, a Senior Executive, an External Auditor, or an Actuary of a FI;
16. **“Senior Executives”** means the country head, chief executive officer, general manager, deputy general manager, heads of departments, or departmental managers of the FIs licensed by the Central Bank.

The Fit and Proper Criteria

17. The criteria for determining the fitness and propriety of a Responsible Person shall involve determining whether the individual:
 - a. has the technical competence relevant for Responsible Persons Position by reference to the following attributes: knowledge, skills, and experience;
 - b. is of good reputation and standing to perform properly the duties of the Responsible Persons Position by reference to the following attributes: diligence, honesty, integrity, judgement, reputation, and good character.
18. The fitness and propriety of an individual shall be considered with reference to the Responsible Persons Position that the individual holds, is considered for, or is being

nominated for. A decision that renders the individual not fit and proper for a particular role does not automatically exclude the individual from other Responsible Person Positions roles.

19. Notwithstanding Paragraph 17, in situations where an individual is found to be not fit and proper due to paragraph 17(b) regarding reputation and character (a lack of diligence, honesty, integrity and poor judgement and reputation), the individual shall be deemed not suitable for any Responsible Person Positions.
20. Findings to the fitness and propriety of an individual shall at all times be considered in the context of the role for which the individual already fills, is being considered for, or is being nominated for.

Determining the Fitness and Propriety of Responsible Persons

21. When determining the fitness and propriety of a Responsible Person, the following shall be taken into consideration:
 - a. whether there are reasonable grounds to believe that the individual holding the Responsible Persons Position or is being considered for the Responsible Person Position or is being nominated for the Responsible Person Position lacks appropriate experience, knowledge, skills, character, educational and technical qualifications, judgement, and honesty or integrity required to effectively discharge the responsibilities of the Responsible Person;
 - b. whether the individual holding the Responsible Person Position, or is being considered for the Responsible Person Position, or is being nominated for the Responsible Person Position, failed to discharge his or her responsibilities while he or she was a director of an Entity, a Senior Executive of a Licensed Financial Institution, or a professional service provider to an Entity with competence, diligence, sound judgement, honesty, or integrity;
 - c. whether the individual holding the Responsible Person Position, or is being considered for the Responsible Person Position, or is being nominated for the Responsible Person Position, is at present, or has in the past, been a subject of criticism, discipline, punishment, or adverse findings, and directions, or orders by a court, tribunal, official enquiry, regulatory agency, or similar body concerning the individual's conduct in relation to the management of an entity or professional activities;
 - d. whether the individual is currently, or has in the past been, a subject of an enforcement action or a civil or criminal proceeding by a court, tribunal, official enquiry, regulatory agency, complaints handling body or professional or industry body with respect to the management or administration of an entity or commercial or professional activities in which the individual was involved and which brings disrepute to the individual's reputation and character;

- e. whether the individual is currently, or has in the past, being obstructive, misleading or untruthful in dealing with a court, official inquiry, regulatory agency, complaints handling body, or similar bodies;
- f. whether the individual is currently, or has in the past, being untruthful with a regulatory body or has obstructed, misled or not been candid with a regulatory body;
- g. whether the individual breached fiduciary obligations involving trust;
- h. whether the individual has failed to disclose a conflict of interest, failed to disqualify himself or herself with respect to a conflict of interest, participated in deliberations relating to the subject in which he or she has a conflict of interest or acted in his or her own interests in preference to the interest of others;
- i. whether the individual is of bad repute in any business, financial community, or market;
- j. whether the individual has in the past appointed an unfit and improper individual or person to a Responsible Person Position;
- k. whether the individual resigned, was asked to resign, or was terminated from a position the individual has held as a director or a Senior Executive of an Entity or as a professional service provider to an Entity in a questionable circumstance. Questionable circumstances in this paragraph are made in reference to the individual's competence, diligence, judgement, honesty or integrity in relation to discharging his or her responsibilities is adversely affected;
- l. whether the individual was disqualified, removed, or excluded from an Entity by a court, regulatory body, or a similar body in Solomon Islands or elsewhere;
- m. whether the individual fails to manage his or her debts or financial affairs and that such failure causes loss to other parties;
- n. whether the individual was a director or a Senior Executive of an entity or a professional service provider to an Entity which was or later became insolvent, was or later came under insolvency administration, was or later came to be under a statutory or court appointed management, and failed to repay or failed.
- o. whether the individual is at present or has in the past been included in the Sanctions List of the United Nations or of other country-specific Sanctions List, particularly United States, United Kingdom, Australia, New Zealand, and other similar countries.
- p. Whether the individual is at present or has in the past been the subject of adverse or negative media reporting on activities involving money laundering, terrorism financing, proliferation of weapons of mass destruction, corruption, bribery,

human and wildlife trafficking, soliciting funds for criminal and terrorism activities, and prostitution;

- q. whether the individual is at present or has in the past been engaged to cyberattack a Licensed Financial Institution or in negative media campaign against a Licensed Financial Institution to create misinformation and panic in the market or to create instability to and tarnish the reputation of a Licensed Financial Institution in Solomon Islands;
- r. whether the individual has a domicile of origin in a terrorism-supporting or terrorism-sponsoring state or at present or has in the past visits regularly a terrorism-prone region; and
- s. whether the individual is at present or has in the past failed the Money Laundering and Terrorism Financing screening test.

22. When determining the fitness and propriety of a Responsible Person, the matters listed in Paragraphs 17 and 21 and the severity of the actions must be considered as part of the overall fitness and propriety assessment of the individual applying for the Responsible Person Position in question.

Individuals Debar from Holding Responsible Person Position

23. The following individuals are debarred from holding any Responsible Persons Position without the expressed authorization of the Central Bank:

- a. an individual who has been a Director on the Board of Directors, a Senior Executive, an External Auditor or an Actuary of a Licensed Financial Institution in Solomon Islands or elsewhere at the time the license of the financial institution was revoked;
- b. an individual who was sentenced to imprisonment by courts in Solomon Islands or elsewhere for offences involving money laundering and terrorism financing activities, bribery, corruption, tax evasion, human and wildlife trafficking, war relics smuggling, dishonesty, and civil and penal code offenses and has not served a full sentence or received a full pardon for that offence;
- c. an individual whose name is in the global (United Nations) or country-specific Sanctions List;
- d. an individual who is or has in the past created or attempted to create instability to a Licensed Financial Institution in Solomon Islands; and
- e. an individual the Solomon Islands authorities have declared a persona non grata.

Approval and Removal of Responsible Persons

24. A Licensed Financial Institution shall be required to do its own due diligence assessments on the fitness and propriety of individuals it identifies or consider appointing to Responsible Person Positions and then apply on behalf of the individual to the Central Bank for a No Objection Approval.
25. Notwithstanding Paragraphs 20, 21, and 22, the CBSI shall have power to revoke the appointment of the individual or direct the Licensed Financial Institution to remove the individual from the Responsible Persons Position if:
- a. the Central Bank believes that the information and or documents submitted to it by the Licensed Financial Institution for purposes of conducting its fitness and propriety assessment is falsified;
 - b. the individual fails to satisfy the fit and proper criteria of this Prudential Guideline;
 - c. the individual deliberately omits, conceals, or provide misleading prudential information to financial sector supervisors for 6 consecutive months or more;
 - d. the individual is mentally incapacitated;
 - e. The individual while still holding the position of a Responsible Persons Position his name is included in the AML/CFT Sanctions List;
 - f. the individual is considered to be not a fit and proper person under other applicable Solomon Islands Laws or under the Central Bank administered standards and legislation.
26. The Central Bank can direct FIs from appointing or nominating an individual to a Responsible Person Position if it has reasons to believe that the individual is unlikely to act in the best interest of the Licensed Financial Institution.

Fitness and Propriety Assessments of FIs to be provided to the Central Bank

27. The FIs must disclose to the Central Bank their fitness and propriety assessment working notes and papers in respect of their Responsible Persons. Such working notes or papers must contain all the notes, assessments, and conclusions reached with respect to the determination of the fitness and propriety of the Responsible Persons outlined in Paragraphs 17 to 21 of this Prudential Guideline.
28. Any information and documents in relations to the fitness and propriety of the Responsible Persons Position so requested must be fully disclosed to the Central Bank.

List of Names of Individuals Holding Responsible Persons Position and their Positions

29. Each FI must submit to Central Bank a list of all individuals holding Responsible Persons Position within 30 working days of this PG coming into effect.

30. Each FI must, not later than 10 working days, submit to the Central Bank an updated list of names of individuals holding Responsible Persons Position after the occurrence of the following:
- a. Changes in Responsible Persons due to new appointment, resignation, retirement, or removal of a Responsible Person.
 - b. When notifying the Central Bank about the changes to Responsible Persons, the Licensed Financial Institution must provide the following information:
 - i. In the case of new appointments, the tenure of the appointment clearly articulating the start date and the end date and a written advice confirming that the individual has complied with the Immigration Laws of Solomon Islands, if he or she is a foreigner, and the Taxation Laws of Solomon Islands if he or she is a Solomon Islands citizen;
 - ii. In the case of resignation, retirement or removal of a responsible person, a written advice clearly articulating the reasons for such resignation or removal.
 - c. Where a Responsible Person fails to meet the Fit and Proper Criteria contained in this Prudential Guideline, the Licensed Financial Institution shall notify the Central Bank of the action it is taking with respect to this matter.
31. The Central Bank requires the FIs to take reasonable steps to obtain all critical information and documents to assist it in assessing the fitness and propriety of Responsible Persons. At the minimum, the following information must be obtained:
- a. Information or documents with respect to criminal records or civil findings, and any criminal or civil proceedings to which the individual may be subject to;
 - b. Information from law enforcement agencies, current and former employers, current and former employees, compliance to taxation laws, and other private or government agencies who the FIs believes may have relevant information about the Responsible Person; and
32. Any other information that the Licensed Financial Institution believes will provide useful information that may assist it form a judgement about the fitness and propriety of a Responsible Person.

Review Process

33. Where, in applying the Fit and Proper Criteria, the Licensed Financial Institution has found the individual to be fit and proper, but the Central Bank has specific concerns about that individual, the Central Bank may impose:
- a. additional conditions that could relate to the areas or activities in which the individual can work and further training the individual must undertake where

the Central Bank considers these additional conditions or trainings will result in the individual meeting the Fit and Proper Criteria; and

- b. specific reporting or other requirements that the Central Bank believes are necessary and appropriate in respect of the appointment.
34. Where the individual fails to satisfy conditions referred to in Paragraph 33, the Central Bank shall deem that individual not fit and proper and shall direct the Licensed Financial Institution to remove the individual from the Responsible Persons Position.
35. An individual affected by the action referred to in Paragraph 34 can, if the individual or the Licensed Financial Institution has reasonable grounds to believe that a vital information has not been included in the post-condition period assessment, request the Central Bank to review that decision.

No Objection Approval

36. Licensed Financial Institution must apply to the Central Bank for a No Objection Approval prior to the individual so nominated assuming the role of the Responsible Persons Position.
37. The Central Bank shall perform its own fitness and propriety assessment prior to granting a No Objection Approval.
38. The Licensed Financial Institution shall submit the fitness and propriety assessment report of the individual it nominates for the Responsible Persons Position, including all working notes and papers used during the assessment, to the Central Bank.
39. Where the findings of the fitness and propriety assessment of the Central Bank differs from the findings of the Licensed Financial Institution, the fitness and propriety assessment of the Central Bank shall prevail to the extent of such difference.
40. The Central Bank shall communicate its No Objection Approval to the Licensed Financial Institution within 10 working days of receiving the request for such a No Objection from the Licensed Financial Institution subject to it receiving all information that it has so requested on time.
41. The application for a No Objection Approval, along with all working notes and papers, must be addressed to the Central Bank Governor.

Enforcement and Corrective Measures

42. A Licensed Financial Institution, which fails to comply with the requirements of this Prudential Guideline or submits a report to the Central Bank, which are materially inaccurate, will be considered in breach of this guideline and will be subject to a monetary penalty.

43. The CBSI will pursue corrective measures provided for under section 16 of the Financial Institutions Act 1998 (as amended) and other applicable laws in Solomon Islands to enforce the provisions of this Prudential Guideline including:
- a. Issuance of an order to cease and desist from the unsound and unsafe practices; and
 - b. Action to replace or strengthen the management of the financial institution.

Effective Date

44. The effective date of this Prudential Guideline is July 1, 2019.

Issued this 1st day of **July** 2019.



Governor, Denton Rarawa
Central Bank of Solomon Islands