# CENTRAL BANK OF THE GAMBIA

# Guideline 13: Corporate Governance For Commercial Banks in The Gambia

AUGUST 2022

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## GENERAL OVERVIEW

## 1.0 Introduction

The Central Bank of The Gambia (Central Bank), as regulator and supervisor of banks, has a duty to ensure that licensed banks under Section 34 (3) Banking Act 2009 have good corporate governance standards and practices to ensure that they are managed safely and soundly where risk -taking activities and business prudence are appropriately balanced to protect all stakeholders.

In developing the Guideline, provisions contained in sections 31, 32 and 37 of the BA 2009 have been followed and international best practices[1], where relevant, have been considered. The document addresses corporate governance for both conventional and Islamic banks given their different governance structures.

It is recognised that corporate governance of banks is different from other organisations due to the nature of the banking business, the uniqueness of banks' balance sheets, the systemic risks caused by bank failures and its impact on the economy. Banks serve conflicting interests from equity holders, borrowers or depositors and good governance is important for balancing these interests.

Islamic banks are financial institutions generating distinct corporate governance challenges. The governance of Islamic banks should be different from that of conventional banks due to the number of parties involved in their scheme. Firstly, Islamic banks must undertake their activities only on the basis of Shariah Law as the risk of Shariah non-compliance can create financial turmoil. Islamic banks are characterised by the existence of the 'investment account' which complicates their governance system. The institutional environment in which Islamic banks operate is inherently less transparent with weaker market forces.

[1] Principles for Corporate Governance, October 2010, Basel Committee on Banking Supervision, Bank for International Settlement

Therefore, the purpose of corporate governance for Islamic banks is to provide a mechanism that allows fairness to all stakeholders through greater transparency and accountability towards Islamic principles.

**The Guideline is mandatory and failure to comply will attract sanctions/penalties in accordance with the Banking Act 2009 or any other applicable law or regulations.**

## 2.0 Purpose of The Guideline

2.1 The purpose of this Guideline is to set out a guidance which can be used by each bank to develop and implement sound corporate governance framework.

2.2 Accordingly, Corporate Governance involves the allocation of authority and responsibilities, the manner in which the business and affairs of a bank are discharged by its board and senior management including:

I. Set the bank's strategy and objectives.

II. Determine the bank's risk tolerance/appetite.

III. Operate the bank's business on a day-to-day basis. Clear lines of responsibilities should be enforced throughout the organization.

IV. Protect the interests of depositors, meet shareholders' obligations, and the interests of other recognized stakeholders.

V. Compensation policies should be consistent with the bank's long-term objectives.

VI. Align corporate activities and behaviour with the expectation that the bank will operate in a safe and sound manner, with integrity and in compliance with applicable laws and regulations.

2.3 A robust corporate governance ensures that the Board shall, apart from providing guidance and overseeing the bank's strategic objectives, clearly define areas of responsibility, authority levels and reporting lines.

## 3.0 Scope

3.1 This guideline is applicable to all banking institutions licensed and supervised by the Central Bank of the Gambia (CBG) and shall be read in conjunction with the Banking Act 2009, Guideline 9 and 12.

3.2 The Guidelines cover a variety of governance related issues; however, it shall be considered as a minimum requirement for banks.

**3.3 Effective Date**

This Guideline shall come into effect **January 31, 2023.**

## 4.0 Interpretations

4.1 The following terms used in the Guideline shall be taken to have the meaning assigned to them hereunder:

**'Corporate Governance'** means the manner in which the business and affairs of a regulated financial institution is governed by its Board and Senior Management, including how its strategy and objectives are set; its risk appetite/tolerance are determined; its day-to-day business is operated; interests of depositors are protected and shareholders obligations are met.

**'Non-Executive Director'** means a member of the Board not involved in the day-to-day management and not a full-time salaried employee of the banking institution.

**'Independent Non-Executive Director** 'means a Non-Executive Director who is not a shareholder or his/her representative; has not been employed by the banking institution in any executive capacity for the preceding three financial years, and has no contractual relationship with, or interest in, the banking institution. Appointment is based on person's expertise and professionalism.

**'Related Interest'** in relation to an individual, includes any company, cooperative, private business corporation, syndicate, or association of persons in which the individual has a significant interest, or is the largest single shareholder, including any person who has entered into an agreement or arrangement relating to the acquisition, holding or the exercising of voting rights in respect of shares in the banking institution in question.

**'Senior Management'** means the Chief Executive Officer' (CEO)and Heads of Department and Units in line with Guideline 12.

**'Appointment'** includes a reference to election, re-appointment, and re-election.

**'Board'** refers to the Board of Directors of a financial institution.

**'Board Committee'** refers to any committee of the Board.

**'Financial Institutions'** refers to a licensed person, and a financial holding company.

**'Proxy'** someone empowered to vote on behalf of their shareholders at the Annual General Meeting (AGM)

**'Alternate Director'** individual appointed to attend a Board meeting on behalf of the Director of a company where the principal director would be otherwise unable to attend.

**'Insider Credit'** refers to a loan granted by a bank to its own executive officers or directors.

**'Independent Director'** is a director who brings expertise to the Board and has **NOT** (i) been an executive of the bank in the past; (ii) been a substantial shareholder of the bank or any of its affiliates; (iii) had a significant business or other contractual relationship with bank or any of its affiliates in the past.

**'Bank'** means the Central Bank of The Gambia.

**'bank'** refers to commercial and other banks.

**'Contractual Relationship'** any legal relationship between the bank and other parties which is evidenced by- (i) a valid Offer and Acceptance; and (ii)a valid consideration.

**'Major Shareholders'** an individual, corporation, partnership, association, joint-stock company, business trust, or unincorporated organization that is directly or indirectly the beneficial owner of more than 10 percent of any class of the bank equity.

## 5.0 Principles of the Guidelines

5.1 The Guidelines set the principles for corporate governance and ensure adoption of sound corporate governance practices for banks.

5.2 The Guidelines specify responsibilities in setting the targets and objectives, means of achieving them, as appropriate for the Shariah Committee and size of their business activities.

## 6.0 Tenets of Corporate Governance

### 6.1 Risk Management

6.1.1 It is the responsibility of the Board to ensure that a bank's policies and systems are effective enough to achieve a prudential balance between the risks and returns. Risks ought to be monitored and managed to ensure long term viability of the bank. To discharge this function, a reasonable knowledge of the risks specific to banks is essential.

6.1.2 The primary responsibility for identifying and managing risks lies with the Board of Directors and Senior Management. They must set up a framework of internal controls and practices to govern the operations of the bank and ensure that it functions in a safe and sound manner. Some of the key risks faced by banks include credit risk, market risk, operational risk, reputational risk, interest rate risk and liquidity risk.

6.1.3 The Board must ensure that the bank has a risk management unit/department which is staffed by qualified and experienced individuals. The Board shall carefully review the adequacy of the risk management policies, systems, and procedures of the bank annually.

### 6.2 Regulatory Requirements

6.2.1 Banks must comply with regulatory and prudential requirements, and various reporting obligations. Therefore, there is a need for all corporate governance frameworks to include systems for ensuring that all statutory and regulatory requirements are adhered to, and that breaches of the rules and regulations and associated penalties are highlighted in the bank's annual report.

6.2.2 Banks operating in The Gambia whether commercial, Islamic or investment are licensed under the laws of The Gambia, governed by the Banking Act 2009 and

Guidelines issued by the Bank. By this Corporate Governance Guideline, they are not branches of PLC but subsidiaries or local banks and the highest governance body is the Board of Directors.

## 6.3 High Quality Financial Disclosure

An important prerequisite to sound corporate governance is the establishment of a robust financial disclosure mechanism. This is essential as a means of strengthening the accountability of Directors, Senior Management and enhancing the incentives for risk management. It is also essential for market participants, particularly the large creditors of banks, news media, financial analysts, and rating agencies, to effectively monitor the performance and soundness of banks to engender market discipline. In this regard, all banks shall make the following minimum disclosure on their financial statements:

6.3.1 Quantitative Disclosure (in addition to the financial statements and disclosures illustrated in the Financial Reporting Guideline, volume 5):

I. Net Income
II. Loans to Deposit Ratio
III. Return on Assets (ROA)
IV. Return on Equity (ROE)
V. Earnings per Share
VI. Gearing Ratio
VII. Net Interest Margin
VIII. Insider credit Ratio

6.3.2 Qualitative Disclosures (in addition to the qualitative disclosures listed in the Financial Reporting Guideline, volume 6), shall include:

I. Number of times the Board met within the year; and
II. The total payments made or related to board sittings.

## 6.4 Market Discipline

Market discipline plays a key role in promoting financial system stability. When market discipline is working effectively, timely measures can be taken to correct the deficiencies in a bank before it becomes insolvent. Effective market discipline requires financial information to promptly present a true picture of the value of the bank based on Generally Accepted Accounting Principles (GAAP), International Financial Reporting Standards (IFRS) and Prudential benchmarks.

## 6.5 Effective Internal Audit Functions

6.5.1 Each bank shall have a strong and effective Internal Audit Unit or Department which shall be headed by an ACCA, CIMA, ICAEW, CPA, CIB qualified accountant/auditor or a person with similar qualification and the requisite experience as outlined in Guideline 12.

6.5.2 The internal auditor shall functionally report to the Board Audit Committee directly and copied the MD/CEO for attention.

## 6.6 Compliance Function

This shall be independent function that identifies, assesses, advises, monitors and reports on the institution's compliance risk, that is the risk of legal or regulatory sanctions, financial loss, or loss to reputation an institution may suffer as a result of its failure to comply with all applicable laws, regulations, codes of conduct and standards of good practice.

# PART (B): BOARD OF DIRECTORS

## 7.0 Effective Framework for Board and Management Oversight

7.1 An effective system of corporate governance provides the framework within which the Board and Management address their respective responsibilities. Each bank must develop, recognise, and publish the respective roles and responsibilities of the Board and Management. The corporate governance framework shall be designed to:

I. Enable the Board to provide strategic guidance for the company and effective oversight of Management;

II. Clarify the respective roles and responsibilities of Board members and Senior Executives to facilitate accountability to both the bank and its shareholders;

III. Ensure a balance of authority to ensure that no single individual has unfettered powers; and

IV. Ensure the formulation of a Board Charter that clearly defines the respective roles, responsibilities and authorities of the Board and its sub-committees.

## 8.0 Role of the Board

The Board of Directors shall fulfil the following functions:

8.1 Articulate corporate governance values, codes of conduct with ethical standards for the bank.

8.2 Approve and oversee the implementation of the bank's capital adequacy assessment process, capital and liquidity plans, compliance policies and obligations and internal control systems.

8.3 Responsible for compliance with prevailing banking laws and regulations and for the establishment of adequate policies to permanently measure and evaluate its financial performance and risk exposure in the various fields of business activities.

8.4 Establishment of compliance and risk strategies, policies, procedures and supervision of their implementation.

8.5 Establishment of corporate governance policies and rules. The governance policies and rules must be approved by the Board.

8.6 Periodical review of the risk policies and procedures, at least annually unless a shorter review is required.

8.7 Decision making on budgets and business plans.

8.8 Establishment of a transparent nomination process for the Board members and disclosure of the process to the shareholders.

8.9 Selection of Board members in accordance with "Fit and Proper" criteria in line with Guideline 12.

8.9 Decision making on selecting, compensating, and monitoring key executives.

8.10 Establishment and supervision of appropriate performance standards for members of the Board and key executives.

8.12. Appointing and removing Senior Management of the bank including the Managing Director, Chief Financial Officer, the company secretary etc.

8.11 Monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available.

8.12 Establishment of continuity plans and supervision of their implementation.

8.13 Approval and supervision of internal control systems, with annual reviews concerning their effectiveness.

8.14 Establishment of policies to regulate the relationship of the bank with its stakeholders.

8.15 Training and development of Board members and key executives for the purpose of enhancing and maintaining their ability to discharge their duties and responsibilities.

## 9.0 The Responsibilities of the Board

9.0 The Board has the ultimate responsibility to adhere and comply with the provisions of Section 31,32 and 33 of the Banking Act 2009, provisions of Guideline 9 and 12 as well as Sections 235, 236 and 241 – 245 of the Companies Act 2013 in addition to any other regulations the Central Bank may issue.

9.1 The Board members have the ultimate responsibility for the business strategy, operations, quality, integrity of accounting, auditing, internal controls, and financial soundness of banks. The Board must have adequate collective knowledge of all types of activities and functions of the bank including granting of loans, accepting deposits, asset management, underwriting and trading with securities, trading in foreign exchange, risk management, internal control, accounting and information technology.

9.2 Ensure the application of the corporate governance in the bank according to its business activities and other relevant economic factors.

9.3 Provide a regulatory framework within the bank, in particular rules concerning the organisation structure and the conduct of business, including allocating the competences to the different bodies within the bank.

9.4 Ensure the integrity and appropriateness of the financial and accounting regulations, inclusive of those relating to preparation of financial reports; (Referencing Financial Reporting Guideline).

9.5 Financial reporting to the shareholders with respect to the business of the bank

9.6 Ensure an appropriate process of disclosure and communication procedures; this includes the appropriate information to the public, creditors, investors and depositors.

9.7 Provide an effective internal control system.

9.8 Provide a system by which information of unlawful or unethical behaviour of the bank can be reported to the Board.

9.9 Provide a clear, efficient, and effective rules, dealing with conflict of interest.

9.10 Submit the required Financial Statements of the bank for approval to the Central Bank before submitting to the Annual General Meeting, Parent Company and the Security and Exchange Commission (for listed companies).

9.11 The Board shall ensure that the bank provides sufficient and timely information about its operations to all its members, to enable them carry out their duties correctly and efficiently.

## 10.0 Board Meetings

10.1 The chairperson, in his/her leadership, is responsible for the effective overall functioning of the Board. In fulfilling this role, the chairperson must–

i. Ensure that appropriate procedures are in place to govern the Board's operation.

ii. Ensure that decisions are taken on a sound and well-informed basis.

iii. Ensure that all strategic and critical issues are considered by the Board, and that directors receive the relevant information on a timely basis.

iv. Encourage healthy discussion and ensure that dissenting views can be freely expressed and discussed; and

v. Lead efforts to address the Board's developmental needs.

10.2 A Director must devote sufficient time to prepare for and attend Board meetings, maintain a sound understanding of the business of the financial institution as well as relevant market and regulatory developments. This must include a commitment to on-going education.

10.3 A Director must attend at least 75% of the Board meetings held in each financial year and must not appoint another person to attend or participate in a Board meeting on his/her behalf, unless the person is identified as a proxy and approved by the Bank as an alternate Director.

10.4 A financial institution must ensure that attendance at a Board meeting, by way other than physical presence, remains the exception rather than the norm, and is subject to appropriate safeguards to preserve the confidentiality of deliberations.

10.5 In respect of the quorum for Board meetings, a financial institution must require at least two-third of the Board members to be present.

10.6 The Board must ensure that clear and accurate minutes of meetings are maintained to record their decisions, including the key deliberations, rationale for each decision made, and any significant concerns or dissenting views. The minute must indicate whether any director abstained from voting or excused himself from deliberating on a particular matter.

10.7 The financial institution must provide the Board with access to advice from third party experts on any matter deliberated by the Board as and when required.

## 11.0 Board Appointments and Disqualification

11.1 The appointment of Directors must be in accordance with Section 32 of the Banking Act 2009; Procedures for appointments to the Board shall be formal and transparent as outlined in Guideline 9 and 12. A formal and transparent procedure for the selection and appointment of new Directors to the Board helps promote investor understanding and confidence in that process. Shareholders shall be provided with biographical information of all new directors to be appointed. Such information shall include:

i. name, age, and country of principal residence.
ii. whether appointment is executive and if so the specific area of responsibility.
iii. working experience and occupation during the past ten years.
iv. other directorships (present and for the past five years).
v. shareholding in the corporate body and its subsidiaries.

vi. family relationship with any director and/or substantial shareholder of the corporate body or its principal subsidiaries.

vii. any conflict of interest.

11.2 The Board tenure must not be more than **five years**; the Chairperson and Directors must not serve more than **two five-year terms**.

11.3 Conditions for the disqualification of Board of Directors are outlined in Section 33 of the Banking Act 2009. Furthermore, a Director will be disqualified if he/she is not cleared in writing by the Bank prior to the appointment in accordance with Guideline 12.

## 12.0 Board Composition

12.1 The number of Board members must comply with section 32 of the Banking Act 2009 and meet the professional requirements as per Guideline 12, based on the complexity of the banks.

12.2 The composition of the Board shall target the strategic objectives of the bank with regards to the promotion of effectiveness and ensuring appropriated representational needs.

12.3 Members of the Board must have adequate professional knowledge and expertise enabling them to assume their oversight functions. They must have the ability to understand and make professional contributions with regards to strategy, operational activities, risk assessment and risk management, compliance with laws and regulations, accounting and financial reporting and communication. The Board shall have at least one Executive Director, any excess should be approved by the Bank.

12.4 New Directors shall be familiarised with the bank's operations, Senior Management and responsibilities as well as in respect of the Board's expectations. If new Directors have no Board experience, they shall receive training in their unaccustomed responsibility.

12.5 The Chairperson of the Board shall be a resident and independent non-executive Director. If otherwise, approval should be seek from the Bank.

12.6 The Assessment of Independence shall be based on merit. An independent non-executive Director is independent of management and free of any business or other relationship that could materially interfere with – or reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgment.

12.8 The Board shall regularly assess the independence of each Director in the light of interests disclosed by them. To accomplish this, each Independent Director shall provide to the Board all relevant information. The tenure of each Director is important to an assessment of independence and shall be disclosed appropriately.

12.9 For the purpose of these guidelines, a Director would be considered independent if he/she:

i. Is not a major shareholder of the bank as per the Banking Act 2009;
ii. Has not been employed by the bank in an executive capacity for the previous three years;
iii. Is not a professional adviser or consultant to the bank;
iv. Is not a significant supplier or customer;
v. Has not served on the Board for a period which could reasonably be perceived to materially interfere with the Director's ability to act in the best interests of the company;
vi. Has no significant contractual relationship with the bank; and
vii. Is free from any other relationship with the bank, which may interfere with his capacity to act in an independent manner.

12.10 Non-executive Directors shall not accept their appointments if they are of the view that they cannot provide the bank with the time and attention necessary to discharge the duties of office.

12.11 Non-executive Directors shall be persons equipped with the necessary skill and experience to bring an independent judgment to bear on the issues of strategy, performance, and resources, including key appointments and standards of conduct.

12.12 Non-executive Directors of a bank shall not serve in the Board of more than 3_non-financial institutions and the Board of another financial institution unless approved by the Bank.

12.13 A cool off period of at least 2 years is required unless approved by the Bank for Board member to serve in another financial institution.

12.14 Independent Directors shall provide independent viewpoints and assistance to executive Directors.

## 13.0 Board Secretary

13.1 The Board Secretary's role is indispensable in running the affairs of the Board. He/she shall be the head of the legal Unit/Department. However, if the bank does not have an existing legal Unit/Department, the Head, Risk Management, or Compliance Unit/Department may suffice.

## 13.1 Functions of the Board Secretary

i. The Board Secretary shall serve as a crossing point between the Board and Management and shall support the Chairperson in ensuring the smooth functioning of the Board;

ii. The Board Secretary shall advise the Board on matters relating to statutory duties of the Directors under the law, disclosure requirements, and company law regulations as well as on matters of corporate governance requirements and effective Board processes;

iii. The Board Secretary shall ensure that Directors are provided with complete, adequate and timely information prior to Board meetings; and

iv. The Board Secretary shall be appointed by the Directors for such term and remunerations they may think fit, and may be removed by the Board, but without prejudice to any claim for damages for breach of any contract of service with the bank.

## 14.0 Board Diversity

14.1 The prerequisite for a Board's effective work is that its members complement each other's knowledge, experience, qualifications, and skills.

14.2 The Bank reserve the right to reject a Board members application where the Director's knowledge, qualification and experience does not enhance Board diversity.

14.3 Consideration should be given to gender diversity in the Board Composition.

## 15.0 Allocation of individual responsibilities

15.1 It is appropriate that Directors clearly understand corporate expectations. Formal letters of appointment for Directors setting out the key terms and conditions related to that appointment shall be issued.

15.2 Each Director shall:

i. Be familiar with the relevant laws and regulations on the bank's operations;
ii. Be familiar with the bank's goals, basic values and strategies, as well as understanding how best to conduct his/her work to help reach these goals;
iii. Fully understand the function of the Board and have good judgment and intuition;
iv. Make independent decisions in each instance;
v. Ensure that internal control is functioning satisfactorily and that the Board receives reliable, timely and accurate information necessary for the performing of its supervisory work, and that all decisions by the Board are adhered to;
vi. Make certain that all Acts of law, rules and regulations are complied with; and
vii. Endeavour to inspire good and positive morale amongst the staffs.

## 16.0 Role and Responsibilities of Board Chairperson

16.1 The Chairperson plays a crucial role in ensuring good corporate governance. The Chairperson is responsible for leadership of the Board, for the efficient organization and conduct of the Board functions and for the briefing of all Directors in relation to issues arising at Board meetings. It is important that the chairperson facilitate the effective contribution of all Directors and promote constructive and respectful relations amongst Board members and management.

16.2 The Chairperson is required to:

i. Ensure that the Board meets once every quarter and that meetings are conducted in a proper manner;
ii. Ascertain the views and/or the decision of the meeting on the issues being discussed;
iii. Ensure that Directors are encouraged to contribute within their respective capabilities to secure the maximum benefit for the bank;
iv. Be responsible for the Directors' receipt of qualitative and quantitative information;
v. Ensure that any non-executive Director who is not contributing to the deliberations of the Board is either not re-elected or requested to resign or removed; and
vi. Ensure that the Board develops and implements a process for assessing the effectiveness of the Board, committees of the Board and the contributions of individual Directors.

16.3 In the absence of the Board Chairperson, a Non-Executive Director shall chair the Board meeting.

16.4 There shall be a separation between the roles of Chairperson and Managing Director/Chief Executive Officer of a bank. The two positions shall not be occupied by one person in any bank at the same time.

## 17.0 Performance Orientation and Training of the Board

17.1 Directors and key executives must be equipped with the knowledge and information they need to discharge their responsibilities effectively. The Board shall establish and disclose the process for performance evaluation of its members, Committees, and key executives. The performance of the Board and key executives shall be reviewed regularly against both measurable and qualitative indicators. The strategies, policies, mutually agreed management performance criteria and business plans of the corporation shall be clearly defined, measurable, accurate and tangible to the Board and Management.

17.2 The Nomination Committee shall take responsibility for internal evaluation of the Board's performance.

17.3 At least once in every two year, the Board shall appoint an independent consultant to assess its performance.

17.4 The bank shall develop and implement training and induction programs designed to allow new Board appointees to participate fully and actively in decision-making at the earliest opportunity. These shall enable them to gain understanding of:

i. The company's financial, strategic, operational and risk management position.
ii. Their rights, duties, and responsibilities.
iii. The role of the Board Committees.

17.5 Directors, key executives and officers shall have access to continuing education and training to enhance their skills and knowledge. Such training shall include education concerning key developments in the bank and within the industry or its operating environment.

## 18.0 Board Committees

18.1 The Board of Directors is required to establish Board sub-committees to assist in the discharge of its duties and responsibilities. All Board Committees shall be chaired by a Non-Executive Director.

18.2 At a minimum, the Board shall have Audit Committee, Credit Committee, HR Committee(s (Nomination Committee and Remuneration and Appraisal Committee) and Risk Management Committee.

18.3 For the purpose of sub-section 7.1(IV), the Board Charter shall include, terms of reference, scope of functions and limits of authority and manner in which each committee will report to the full Board.

18.4 The committees of the Board and the membership of these committees shall be disclosed in the annual report issued by the bank.

18.5 The Board shall annually review the rotation of members and the Chair of such committees to avoid undue concentration of power and promote fresh perspectives. Committees shall maintain appropriate records of their deliberations and decisions through minutes of meetings. Such records shall document the committees' fulfilment of their responsibilities and assist supervisors or those responsible to assess their effectiveness.

18.6 Board Committees shall comprise a minimum of 3 members and the majority shall be Non-Executive Directors.

18.7 The composition of the Board Committees shall comprise a combination of Directors (both executive and Non-Executive Directors) to be deleted.

18.8 In the case of smaller banks, the same committee may assume more than one portfolio of the Board committees subject to the approval by the Bank.

18.9 The attendance of a Non-resident Director shall be considered effective when the Director attends a session or meeting via a teleconference call from the beginning of the meeting to the end. However, the attendance of a Resident Director is considered only when he/she is physically present during meetings.

18.10 Board Committees shall meet at least once every quarter.

## 18.1.0 Audit Committee

i. The Audit Committee assists the Board of Directors to fulfil its responsibility for oversight of the quality, integrity of the accounting, auditing and reporting practices of the bank; and

ii. Review and assess the qualitative aspects of financial report to the shareholders, processes to manage business and financial risks, and compliance with the legal, ethical, and regulatory requirements.

### 18.1.1 Composition of the Audit Committee

i. Members must have the relevant skills and experience to discharge the duties of the committee. Members shall comprise directors with an adequate knowledge of finance, accounting and the basic element of the laws under which the corporate body operates or is subject to;

ii. The Managing Director/Chief Executive Officer, the Finance Director, and a representative of the external auditors shall be invited to attend audit committee meetings as the need arises; and

iii. The Head of Internal Audit shall report and attend meetings of the Audit Committee.

### 18.1.2 Functions of the Audit Committee

i. The Audit Committee shall oversee and evaluate the performance of the internal audit function.

ii. The Board shall define the duties of the Audit Committee tailored to the needs of the bank. The duties of the committee amongst others shall include:

   a. Review of the financial position of the company;
   b. Evaluation of the internal financial control system of the company and risk management;
   c. Review and evaluation of the financial reporting of management;
   d. Review and evaluation of the compliance with all laws, rules, and regulations;
   e. Advice the Board on the appointment of the external auditor of the bank;
   f. Established direct contact with the external auditor;
   g. Evaluation of the reports submitted by the external auditor; and
   h. Evaluation of other services supplied by the external auditor.

## 18.2 Board Credit Committee

The Board Credit Committee is the highest credit approval authority at the bank. Its main function is the approval/ratification of all credits beyond the limit of the Management Credit Committee. An essential part of the credit risk management is the evaluation of bank's policies and procedures related to the granting of loans and the on-going management of the loan portfolio.

### 18.2.1 Composition of the Board Credit Committee

i. The Credit Committee at minimum shall consist of the Chief Executive Officer, and any two (2) Non-Executive Directors.
ii. The chair of the Credit Committee shall rotate annually between members of the Committee.
iii. The quorum for meetings of the Credit Committee shall be **three members**, at least one being a Non- Executive Director.
iv. The Head of Credit shall report and attend meetings of the Credit Committee.

### 18.2.2 Functions of the Board Credit Committee

i. Considering and approving specific loans above the Management Credit Committee's authority limit, as determined by the Board from time to time;
ii. Reviewing Management Credit Committee's authority level as and when necessary and recommending new levels to the Board for consideration;
iii. Conducting quarterly review of credits granted by the bank to ensure compliance with the bank's internal control systems and credit approval procedures;
iv. Notifying all Director-related loans to the Board;
v. Reviewing the bank's internal control procedures in relation to credit risk assets;
vi. Reviewing the Asset and Liability Management of the bank;
vii. Reviewing and ensuring that the bank complies with regulatory requirements regarding the grant of credit facilities;
viii. Handling such other issues referred to the Committee from time to time by the Board;
ix. All credits considered as "Large Exposures" as outlined in Section 23 of the Banking Act 2009 and Guideline 6, shall be considered and approved by the Board Credit Committee at a special meeting convened for that purpose. In view of the volume of transactions that require Board Credit Committee

approvals, there are instances where the need arises for credits to be approved by members expeditiously before scheduled meetings. Such urgent credits are circulated amongst the members for consideration and approval in line with a defined procedure that ensures that all members of the Committee are furnished with full information on such credits; and

x. The Board Credit Committee shall meet at least once every quarter. Additional meetings are however, convened as and when required.

## 18.3 Risk Management Committee

Risk management shall be integrated into the culture of the bank as it increases the probability of success and reduces the risk the bank is facing.

### 18.3.1 Composition of the Risk Management Committee

i. Members of the Risk Management Committee shall comprise of people with adequate risk management skills and experience to equip the committee to perform its functions;

ii. To supplement its risk management skills and experience, the Risk Committee may invite independent risk management experts to attend its meetings; and

iii. Those members of Senior Management responsible for the various areas of risk management shall attend its meetings.

### 18.3.2 Function of the Risk Management Committee

The responsibility to ensure quality, integrity and reliability of the bank's risk management shall be delegated to the Risk Management Committee ((RMC). The main responsibilities of the RMC shall be:

i. Identify and monitor enterprise- wide risk of the bank;

ii. Review and approve the Risk Management policies that establish the appropriate approval levels and other checks and balances to manage risk;

iii. Ensure that policies are in place to manage the risks to which the bank is exposed to;

iv. Critically assess the bank's strategies, plans from a risk perspective and develop a bank wide risk management framework;
v. The risk management committee shall meet at least once every quarter; and
vi. The Committee shall be responsible for reviewing the strategies, operational plans, budgets, and activities vis-à-vis the financial implication related to the significant corporate finance matters of the bank. Such matters under this committee's purview shall include:
    a. Review of capital structure regarding appropriateness and acceptability of all material transactions;
    b. Developing long term capital structure guidelines.
    c. Developing and overseeing dividend policy;
    d. Developing capital expenditure plans and specific capital projects.
    e. Review strategies for managing certain exposures pertaining to financial, economic or hazard risks;
    f. Review The bank's corporation tax situation and strategy;
    g. Review the quarterly and annual financial statements of the bank, financial plans, and other financial information that management uses in its internal decision analysis; and
    h. Review legal and regulatory matters that may have an impact on the financial statements as they pertain to financing and risk management activities.

## 18.4 Board Remuneration and Appraisal Committee

i. The Board Remuneration and Appraisal Committee shall formulate the Appraisal standards and conduct appraisal for Directors and Senior Management;
ii. The Board Remuneration and Appraisal committee shall evaluate the compensation and remuneration of the members of the Board and the executive management with regards to the long-term objectives of the bank; and

iii. The membership of the Remuneration and Appraisal committee and remuneration policy shall be disclosed to shareholders in the annual report. Such report shall contain at least the aggregate amount of fees, basic salaries, allowances, benefits in kind, contribution to pension schemes, bonuses and compensation paid for loss of office to directors and executive officers in the financial year to which the report pertains.

### 18.4.1 Composition of Renumeration and Appraisal Committee

i. Executive Directors who are members of the Committee shall recuse themselves from deliberations concerning their own remuneration. Due to the tasks given to the Remuneration and Appraisal Committee neither the Managing Director nor any other employee may be a member of the committee; and
ii. Remuneration and Appraisal Committee shall invite the Head of Human Resources as the need arises.

### 18.4.2 Functions of the Remuneration and Appraisal Committee

The Board shall define the role of the Remuneration and Appraisal Committee. The Board shall define the duties and working methods of the Remuneration and Appraisal Committee in accordance with the Charter. The tasks of the committee amongst others shall be to:

i. Negotiate wages and other compensation terms of the Managing Director;
ii. Negotiate wages and other compensation terms of other employees that are directors of the company; and
iii. Structure the company's policy on performance related wages and/or share purchase options.

## 18.5 Nomination Committee

i. The Nomination Committee is responsible for developing and maintaining a formal and transparent procedure for making recommendations on appointments, re-appointments, and removal to the Board of the bank;
ii. The Committee can be a more efficient mechanism for the detailed examination of selection and appointment practices in meeting the needs of the bank;
iii. Appointments to the Committee are made by the Board on the recommendation of the Committee, in consultation with the Committee Chair and shall be for a period of up to three years, extendable by no more than two additional three-year periods provided the member still meets the criteria for membership of the Committee; and
iv. The existence of a Nomination Committee shall not imply a fragmentation or diminution of the collective responsibilities of the board.

### 18.5.1 Composition of Nomination Committee

i. The Committee shall always remain independent of management and majority shareholders. Only members of the Committee shall have the right to attend and vote at Committee meetings.
ii. However, other individuals such as the Chief Executive Officer, other Directors and external advisers may be invited to attend for all or part of any meeting as and when appropriate and necessary and with the agreement of the Committee Chair.
iii. The Nomination Committee shall consist of a minimum of three members, the majority being Non-Executive Directors.
iv. The Nomination Committee shall be Chaired by Non-Executive Director.

### 18.5.2 Functions of the Nomination Committee

i. Assessment of the necessary and desirable competencies of Board members;
ii. Responsible for leading the process and ensure plans are in place for a diverse pipeline succession for both the Board and Senior Management, as well as evaluation of the Board's performance;
iii. Make recommendations for the appointment and removal of Directors; and

iv. The Committee's responsibility and authority covers the Company and its direct and indirect subsidiaries (the "Group").

## PART (C): SHAREHOLDERS RIGHT, CONFLICT OF INTEREST & EXTERNAL AUDITORS

## 19.0 Shareholder Rights

19.1 The shareholders should participate in due manner in the bank's activities and have explicit rights including:

i. Timely receipt of an invitation to participate in the regular general assembly of shareholders;
ii. Approval of the appointment of an independent and professional firm in charge of the audit of the bank for the financial year;
iii. Deliberations on and approval of the annual report of the bank including the financial statements, the report of the external audit firm and the risk policy;
iv. Annual decision making on the clearance of the Board of Directors and the members of the Executive Management;
v. Shareholders shall be able to vote in person or in absentia, equal effect shall be given to votes whether cast in person or in absentia;
vi. Institutional investors acting in a fiduciary capacity shall disclose their overall corporate governance and voting policies with respect to their investments, including the procedures that they have in place for deciding on the use of their voting;
vii. Institutional investors acting in a fiduciary capacity shall disclose how they manage material conflicts of interest that may affect the exercise of key ownership rights regarding their investments;
viii. Shareholders including institutional shareholders shall be allowed to consult with each other on issues concerning their basic shareholders rights; and
ix. Being protected as minority shareholder from abusive actions by major shareholders.

19.2 All relevant information to be able to vote or elect at the general assembly of shareholders.

19.3 The rights of different classes of shares especially on significant control rights of certain classes of shareholders.

19.4 The rules and procedures concerning control, especially protection of classes of shareholders according to their classes, including the measures granting fair and transparent prices in contracts made within the scope of majority-controlled transactions.

19.5 Corporate governance and voting policies of institutional investors.

19.6 Remuneration policy regarding members of the Board and key executives.

19.7 The professional track record of Board members proving their ability to serve.

19.8 Corporate governance and management of conflicts of interest regarding institutional investors.

19.9 The bank should confirm to the shareholders annually that:

**i.** The bank has taken effective and appropriate measures to prevent money laundering, terrorist financing, insider trading and abusive self-trading; and

**ii.** There are no provisions in effect that protect the Board members or executive management from accountability.

## 20.0 Conflict of Interest

20.1 The Board of Directors shall adopt a policy regarding the management of conflict of interest and implement appropriate standards and mechanisms to avoid or at least limit it.

20.2 This will be applied to the Board of Directors, executive management, the staff, and parties that have direct or indirect relations with the bank in line with Section 35 of the Banking Act 2009. The following must be applied:

i. The Board must establish a written policy that identify circumstances which constitute or may give rise to conflicts of interest;

ii. The policy shall clearly define the process for Directors to keep the Board informed on any change in his/her circumstances that may give rise to conflict of interest;

iii. It must also articulate measures for non-compliance with the policy;

iv. Board of Directors, Executive Management and staff of the bank must be prohibited from dealing in shares at certain periods before the announcement of financial results, unexpected events affecting the activities of the bank or relevant information to avoid or minimise insider abuse;

v. Board members and key executives are required to disclose to the Board of Directors whether they have, directly, indirectly or for third parties a material interest in any transaction or matter directly affecting the bank. The Bank reserve the right to refuse or terminate contracts of person(s) found wanting;

vi. The Board of Directors adopt a policy with regards to granting credits to the Board, executive management, and other staff members in line with Section 23 of the Banking Act 2009;

vii. The Board is not allowed to interfere with the daily management of the bank;

viii. The Board to adopt a policy which grants equal treatment in accordance with the law and regulations. When granting credits or facilities to parties related directly or indirectly to the bank, preferential treatment must be avoided;

ix. The bank must not grant credit or facilities to person(s) or any other entity related to the external auditor of the bank; and

x. Board members, executive management, staff, auditors, consultants of the bank are prohibited for, giving information to third parties except by written approval, as laid down by the institution's secrecy codes. This obligation remains valid also after leaving the service of the bank.

## 21.0 External Auditors

21.1 The general assembly elects annually, on the proposal of the Board the External Auditor. The appointment shall be made subject to clearance of the Central Bank and in accordance with Guideline 12.

21.2 The External Auditor must be independent of the bank. A member of the Board of the bank must not be a shareholder in or a member of the Board of Directors of the external audit company.

i. Board approval is required if the external audit firm is to carry out additional work for the bank;
ii. The Board reviews the arrangements with the external audit firm periodically to ensure their suitability according to the size and nature of the bank;
iii. The Board shall have a policy and take measures to enable a channel of communication between the external auditor, Board of Directors, executive management and the supervisory authority. The findings of the external auditor shall be utilized in a timely and effective manner;
iv. External auditors shall be accountable to the Board, the Central Bank and shareholders to exercise due professional care in the conduct of the audit of banks; and
v. Tenor of External Auditor must not exceed five (5) years.

21.3 The External Auditors report shall incorporate the bank's level of compliance with this Guideline.

**PART (D): SENIOR MANAGEMENT**

## 22.0 Qualifications

22.1 Members of Senior Management/executive team must fulfil high standards regarding expertise and professional knowledge. Senior Management shall apply high ethical standards in line with Guideline 12.

22.2 A member of Senior/Executive Management must respect the division of power between the strategic (Board of Director) and the Senior/Executive Management levels within the bank.

22.3 The members of Senior/Executive Management must be cognizant of the corporate governance of their banks. They must understand that they are obliged to implement the regulatory requirements and the Board members instructions in the best interest of the bank.

## 23.0 Composition of Senior Management

23.1 Expatriates in the Senior Management team shall align with the provisions of Guideline 9.

23.2 The Managing Director /CEO or the Deputy Managing Director, and in the absence of a DMD, the next most Senior Officer **must be a Gambian national**.

23.3 The Senior / Executive Management shall embrace diversity and inclusivity to promote better collaboration within the management team, drive innovation and future growth.

## 24.0 Functions of Senior Management

24.1 Prepare an organisational structure which shall be approved by the Board of Directors, allocating duties, responsibilities, authorities, and reporting lines for the operations of the business, the organisational setup must minimise conflicts of interest.

24.2 Implementation of relevant regulations and instructions of the Board.

24.3 Provide procedures for identifying, measuring, evaluating, and managing the risks which the bank is facing.

24.4 Provide procedures for ensuring that the requirements of the compliance function are fully met.

24.5 Provide procedures based on instructions of the Board to ensure that internal controls are complete, work efficiently and effectively, and review the adequacy of the internal controls regularly.

24.6 Keeping proper records of all relevant procedures and decisions.

24.7 Provide management information system which comprises reporting to the Board members and internal audit about findings.

## 25.0 Duties and Responsibilities of Senior Management

25.1 Executive management is responsible for the proper executive of the operative business. It is responsible for the relevance, integrity, completeness, and timely supply of information regarding the operative business to the Board members.

25.2 Ensure that enough information on the operations of the bank is furnished to all members of the Board, to enable them discharge their functions effectively.

25.3 Executive management is responsible for making necessary arrangement for the Board of Directors' meetings.

25.4 Executive management is responsible to the Board of Directors in drafting the following proposals:

i. A proposal for the strategy of the bank;
ii. A proposal for the annual budget and business plan;
iii. A proposal for the compliance and risk policy and the enactment of a directive defining the job description, responsibilities and reporting lines of the compliance and risk function. This shall include duties and responsibilities to support and consult with all staff, regular assessment of the compliance functions and risk controls, training and informing staff of compliance issues particularly AML/CFT, staff reporting to the executive management on all matters of material interest;
iv. A proposal for the internal control system;
v. A proposal for the financial reporting; and
vi. A proposal for the annual report to CBG and the general assembly

25.5 Oversee the activities of management and provide leadership.

25.6 Plan, set goals and objectives, organize, lead, and motivate officers and employees to enhance productivity.

25.7 Direct and control the operations of the bank, coordinate and supervise the activities of branches, departments and/or units in accordance with the policies and instructions of the Board of Directors.

25.8 Ensure safe and sound operations as well as compliance with the banking laws, regulations and prudential norms prescribed by the CBG.

25.9 Any other proposal the Bank may deem necessary.

## 26.0 Appointments and Termination of Senior Management

26.1 Appointment to the position of Senior Management must fulfil the relevant section of the Banking Act 2009,Guideline 9 and 12.

26.2 A person with majority shareholding must not be appointed to the position of Senior Management to safeguard the appropriate separation of management and ownership.

26.3 A bank must have a well-documented and robust succession plan for Senior Management.

26.4 As the critical resource for the success of the bank, the CEO must have the adequate professional skills, competence, and soundness of judgement to fulfil his/her responsibilities.

26.5 The Board is responsible for appointing the Head of Internal Audit. Internal Auditors must specialize in audit matters, be of high professional and personal qualifications in accordance with Guideline 12 to improve the performance level of the bank.

26.6 Internal Audit is an instrument of the Board in monitoring compliance. It reports directly to the Board or the Board Audit Committee. The appointment of the head of Internal Audit must be in compliance with Guideline 12.

## 27.0 Key senior management Committees

27.0.1 The Senior Management of a bank shall establish committees which shall execute policies and report to the Board at regular intervals. The structure of the Committee can vary to include key departments of the bank. The Committee shall meet at least once every month and its mandatory to maintain minutes of the meetings. The committees shall include:

## 27.1 Assets and Liabilities Committee (ALCO)

The ALCO shall be responsible for setting the appropriate strategy in terms of the mix of assets and liabilities given its expectations, of the future and the potential consequences of interest rate movements, liquidity constraints, conduct gap analysis and maturity mismatch between assets and liabilities, foreign exchange exposure and capital adequacy; ensure that the strategies conform to the bank's risk appetite and levels of exposure.

### 27.1.2 Functions of the Assets and Liabilities Committee (ALCO)

The ALCO Management Committee is responsible for the following:

i. Risk diversification and capital requirements;
ii. Broad and specified policy on capital markets requirements;
iii. Yield and size of bank's trading policy, including diversification between the type of instruments and currency;
iv. Design the bank's policy on Interest rate, liquidity, capital adequacy and risk management;
v. Incorporate benchmarking performance indicators to guide the bank's asset allocation; and
vi. Provide a grounded risk management-based approach towards ensuring that financial activity provides longevity and adequate diversification.

## 27.2 Management Credit Committee

The purpose of the Committee is to assist the Board of Directors in fulfilling its responsibilities by providing oversight of policies and management activities relating to the identification, assessment, measurement, monitoring and management of the bank's credit risk.

### 27.2.1 Function of the Management Credit Committee

The Management Credit committee is responsible for the following:

i. Ensure that the Bank complies fully with the Credit Policy Guide as laid down by the Board;
ii. Provides inputs for the Board Credit Committee;
iii. Review and approve credit facilities to individual obligors not exceeding an aggregate sum to be determined by the Board from time to time;

iv. Review and approve all credits that are above the approval limit of the Managing Director as determined by the Board;
v. Review the entire credit portfolio of the Bank and conducts periodic assessment of the quality of risk assets in the Bank; and
vi. Ensures that adequate monitoring of credits is carried out. The Committee shall meet as and when depending on the number of credit applications to be considered.

## 27.3 Risk Management Committee

The Risk Management Committee shall assist the Board in fulfilling its corporate governance oversight responsibilities with regards to the identification, evaluation and mitigation of operational, strategic and external environment risks. The Committee has overall responsibility for monitoring and approving the risk policies and associated practices of the bank.

### 27.3.1 Functions of The Risk Management Committee

The role of the Risk Management Committee is to assist the Board in its oversight of the bank's:

**i.** Risk governance structure; capital augmentation plan, liquidity contingency plan; and
**ii.** Risk management and risk assessment guidelines and policies regarding market, credit, operational, liquidity, funding, reputational and legal risk and such other risks to fulfill the Committee's duties and responsibilities, risk tolerance.

## 27.4 Disciplinary Committee

The Committee is governed by the bank's codes and ethics of good conduct. The Committee is responsible for staff disciplinary matters including:

**i.** Non-compliance with the bank's service rules; and
**ii.** Disciplinary measures for non-compliance.

### 27.4.1 Functions of The Disciplinary Committee

The roles and responsibilities of the Disciplinary Committee are as follows:

i. Ensuring that employees are committed to the Bank's Ethical Principles in their acts and actions; carrying out oversight duties with respect to such commitment; acting as the advocate of the Bank's Ethical Principles across the Bank and with respect to the employees;
ii. Taking precautions with respect to all acts and practices that may lead to the Bank's reputation and image being harmed in view of laws, public opinion and customers; and
iii. Ensuring that appropriate measures are taken by relevant departments to eliminate systematic problems or flaws in workflow processes or general practices.

## 27.5 Human Resource Committee

The objective of the Human Resources Committee is to oversee the establishment of appropriate human resources policies and strategies that provides the bank with the capability to achieve its short- and long-term business objectives.

### 27.5.1 Functions of Human Resource Committee

The functions and responsibilities of the Human Resource Committee includes the following:

i. Annual review of the organization's Human Resource strategic plan to ensure congruence with the bank's broader strategic plan and vision. This includes a review of recruitment and selection, training and development, performance management, compensation and benefits, and termination policies;
ii. Annual review of Human Resource best practice and the bank's performance against those practices;
iii. Review the human resource policy and/or procedure changes;
iv. Review overall bank salary and compensation policies as well as benchmarks for job category compensation levels; and

v. Serve as a Primary advisory group for all performance and transition discussions concerning the bank's Management and general staff.

## 27.6 Management Appraisal Committee

The Appraisal Committee promotes linkages among the bank's goals, strategic objectives of the operating Units and the performance of its staff. It also enhances accountability for results by linking staff performance plans to operating unit strategic objectives.

### 27.6.1 Functions of the Management Appraisal Committee

i. Establish internal operating procedures
ii. Review and approve performance plans for all employees at the start of the evaluation cycle;
iii. Communicate information about the Employee Evaluation Process (EEP) within an operating Unit/Department;
iv. Monitor internal deadlines to enable the operating unit to meet EEP deadlines.
v. Verify completion of the evaluations for all employees, as appropriate;
vi. Supply information and submit completed forms to the Human Resource (HR) unit; and
vii. Serve as point of contact for HR concerning the EEP.

## 27.7 Information Systems Steering Committee

The purpose of the Information Technology Committee is to act as a support to management regarding matters relating to information technology and information security. The Committee shall help management in fulfilling its corporate governance and management responsibilities for the bank's investments, operations, and strategy in relation to technology and information systems. In this role the Committee is responsible for performing its duties in accordance with the bank's policy.

### 27.7.1 Functions of The Information Systems Steering Committee

i. The Committee shall monitor and maintain an understanding of critical vendors, including monitoring their financial condition, reviewing initial and annual vendor risk assessments, quarterly risk profile reports, performance reviews of technology vendors, as applicable and third -party risk management function;
ii. The Committee shall annually review the bank's information technology, strategy, planning and implementation;
iii. The Committee shall approve significant information technology investments in support of the bank's information technology strategy;
iv. The Committee shall monitor technology-related projects, priorities, standards, procedures, overall information systems and technology performance. The Committee should receive information and reports from IT department, business lines and other operational departments to monitor the bank's information systems and technology resources;
v. The Committee shall review or discuss, as and when appropriate, the bank's policies regarding the quality and effectiveness of technology security, and business continuity plans and capabilities; and
vi. The Committee shall review relevant regulatory and internal audit reports.

## PART (E): TRANSPARENCY

## 28.0 Corporate Governance Disclosure

28.1 The Board shall provide a written policy on transparency and disclosure. This policy ensures timely and accurate disclosure of information on all material matters regarding the bank including its financial position, performance, ownership, and corporate governance.

28.2 The Board shall provide an annual report to the shareholders. The annual report contains at least the following elements:

i. The Financial Statement of the bank for the financial year;
ii. The description of the applied accounting standards; the standards must guarantee a true and fair view of the bank;

iii. The compliance and risk policy, including the foreseeable risk factors;
iv. The organizational structure of the bank including the committees set up within the Board, the mandate, their members, and their working procedures;
v. A full list of the members of the Board, providing information on their education, experience and information about their membership in any other bank, financial institution or company, also stating their status e.g. independent, non-executive member, etc.;
vi. A full list of the members of executive management, providing information on their education, experience, and affiliations;
vii. A report on the total remuneration for each of the members of the Board, members of the executive management and policy on promotions;
viii. The policy concerning the corporate governance of the bank;
ix. The ownership structure of the bank including major shareholders;
x. Plans, objectives and strategies of the bank;
xi. The annual report of the external auditor on financial data, the present and future risks, the effectiveness of the internal auditing and the performance of the Board and executive management;
xii. Any penalty, fine or punishment imposed on the bank by the Central Bank or any other supervisory, organizational, or legal authority; and
xiii. The annual report must be made available to every interested person and publish on the bank's website.

## PART (F): REMUNERATION AND CULTURE

### 29.0 Remuneration

29.1 The remuneration policy of the bank must be approved by the Board, and be subject to periodic review, including when material changes are made to the policy.

29.2 The Board must annually approve the remuneration for each Director, member of Senior Management and other stakeholders having material interest in the financials of the bank.

29.3 Remuneration systems form a key component of the governance and incentive structure through which the Board and Senior Management drive performance, convey acceptable risk-taking behavior and reinforce the bank's corporate and risk culture.

29.4 To achieve effective governance of remuneration systems, independent Board of Directors with the relevant experience in risk-measurement shall be involved in the review of remuneration practices and risk involved.

29.5 To safeguard the independence and authority of individuals engaged in control functions, the bank must ensure that the remuneration of such individuals is based principally on the achievement of those objectives. These are determined in a manner that is independent from the business lines they oversee.

29.6 The overall remuneration system for the bank must–

i. Be subject to Board's active oversight to ensure that the system operates as intended.
ii. Be in line with the business and risk strategies, corporate values and long-term interests of the bank.
iii. Promote prudent risk-taking behaviour and encourage individuals to act in the interests of the bank as a whole and its customers; and
iv. Be designed and implemented with input from the control functions and the Board Risk Management Committee to ensure that risk exposures and risk outcomes are adequately considered.

29.7 Remuneration for individuals within the financial institution must be aligned with prudent risk-taking. Hence, remuneration outcomes must be symmetric with risk outcomes. This includes ensuring that–

i. Remuneration is adjusted to account for all types of risk and must be determined by both quantitative measures and qualitative judgement;
ii. The size of the bonus pool is linked to the overall performance of the bank;
iii. Incentive payments are linked to the contribution of the individual and business unit to the overall performance of the bank;
iv. Bonuses are not guaranteed, except in the context of sign-o bonuses; and
v. For members of senior management and other material risk takers–
    a. a portion of remuneration consists of variable remuneration to be paid based on individual, business-unit and bank-wide measures that adequately assess performance; and
    b. the variable portion of remuneration are aligned with the individual's level of accountability.

29.8 The remuneration policy shall embody the following:

i. Levels of remuneration in corporate bodies shall be competitive taking into account industry practices;
ii. Remuneration shall focus on retaining management and be linked as far as possible to corporate and individual performance;
iii. Stock options, employee share ownership schemes and other equity-oriented plans shall be considered as a means of linking management's interest to that of shareholders;
iv. Remuneration levels of Directors shall reflect experience and the level of responsibilities undertaken by the particular director concerned;
v. The Board shall determine the remuneration of non-executive Directors with the individuals concerned recusing themselves from deliberations on the matter; and
vi. The remuneration of non-executive Directors shall be fixed at a level that will ensure their commitment to the duties and obligations they are required to discharge.

## 30.0 Culture

30.1 A bank must adopt a code of ethics which provides guidelines on appropriate conduct and addresses issues of confidentiality, conflicts of interest, integrity in reporting, and the fair treatment of customers. A bank must maintain a record of breaches of the code of ethics and address such breaches in a manner that upholds high standards of integrity.

30.2 A bank must establish a whistleblowing policy that sets out avenues for legitimate concerns to be objectively investigated and addressed. Individuals must be able to raise concerns about illegal, unethical, or questionable practices in confidence and without the risk of reprisal. To this end, a bank must–

i. Clearly indicate the parties to whom concerns can be escalated to within the bank;

ii. Ensure that individuals are made aware of other avenues for whistleblowing to regulators or law enforcement agencies;

iii. Communicate the whistleblowing policy to third parties such as contractors, consultants and interns and allow them to report their concerns; and

iv. Designate a Non-executive Director to be responsible for the effective implementation of the policy.

## PART (G) ADDITIONAL FOR ISLAMIC BANKS

In addition to the above, Islamic banks (IBs) are required to have a sound Shariah governance systems and procedures in place. The Board of the Islamic bank has the overall responsibility for Shariah governance.

## 31.0 Shariah Governance

30.1 Shariah governance is integral to Islamic banks stability. The institutionalization of a sound Shariah governance framework strengthens public confidence in the integrity, management, and business operations of Islamic banks.

30.2 Accordingly, Islamic banks shall demonstrate that their Shariah governance systems are operating effectively and appropriate to their size, nature of business, complexity of activities and structure.

30.3 Islamic banks shall demonstrate a better alignment in promoting a strong Shariah compliance risk culture within the bank.

30.4 The bank shall observe the Islamic approach to corporate governance which embraces responsibility, honesty, sincerity, integrity, competence, fairness, accountability, and transparency.

30.5 Accordingly, Islamic banks are required to uphold ethical values and effective corporate governance policies that ensure a balance and equitable participation of the Board, Shariah Committee, Senior Management, and other stakeholders.

30.6 The governance framework of the Islamic banks shall ensure that all activities comply with Shariah principles.

## 31.0 Shariah Committee (SC)

31.1 The Committee shall ensure that the Islamic banks activities are Shariah compliant and are responsible for lapses on the part of the Shariah Committee. Accordingly, adopt policies that aid in providing a range of products and services that uphold the ethical values of Islamic Finance.

31.2 The Committee shall have adequate knowledge and expertise to enable them carryout their oversight function effectively. They have a fiduciary responsibility to act in the best interest of the Islamic bank.

31.3 The Committee shall approve and review policies, strategies, set out clear lines of responsibility for management, appoint competent and qualified people to senior management positions and ensure that the operations of the Islamic Bank are conducted within the framework of the laws of The Gambia.

31.4 The Islamic bank shall appoint a Shariah Committee to ensure that its operations, processes, and procedures are in compliance with Shariah rules and principles. The Shariah Committee shall consist of a minimum of five members and are individuals with proven knowledge of Islamic commercial law, integrity, and honesty.

31.5 The appointment of individuals into the Shariah Committee shall require the prior written approval of the Bank in accordance with Guideline 12 Fit and Proper person Test and in line with Part (F) Fit & Proper' Criteria for the Shariah Board of the Guideline for Regulation and Supervision of Islamic Financial Institution in The Gambia.

## 32.0 Duties and Responsibilities of the Shariah Committee

32.1 The Shariah Committee must have a Charter that sets out the mandate, responsibilities and procedures including matters reserved for its decision or advice.

32.2 The Shariah Committee has the responsibility to provide objective and sound advice to the Islamic bank to ensure that its aims and operations, business, affairs and activities are in compliance with Shariah.

32.3 The Shariah Committee shall be accountable for the quality, accuracy and soundness of its own decision or advice.

32.4 The Shariah Committee must establish a robust methodology to guide its decision-making process. The Shariah Committee must consider relevant business and risk practices in arriving at a decision or advice.

32.5 Where the Shariah Committee has reason to believe that any Shariah issues or matter may affect the safety and soundness of the Islamic bank, the Committee must immediately update the Board on such matter.

32.6 An Islamic bank shall ensure that any records of Shariah Committee decision or advice are submitted to the Bank, including a rectification plan to address a Shariah non-compliance is supported with key deliberations, rationale and any significant concerns or dissenting views to the decision or advice.

32.7 Shariah Committee member must exercise objectivity in coming up with his/her judgment and be free from associations or circumstances that may impair the exercise of his/her professional objectivity.

32.8 Shariah Committee member must devote sufficient time to prepare for and attend meetings.

32.9 A Shariah Committee member must ensure consistency in providing his views and must not act in a manner that would undermine any decisions of the committee

32.10 Every Shariah Committee member must disclose the nature and extent of his interest that constitutes or gives rise to a conflict or potential conflict of interest upon his appointment, or reappointment.

32.11 A Shariah Committee member must continuously develop a reasonable understanding of the business and operations of the Islamic bank and keep abreast with relevant market and regulatory developments.

## 33.0 Appointments and Termination Shariah Committee Members

33.1 The Board shall, upon recommendation of its Nomination Committee, nominate the appointment of the members of the Shariah Committee.

33.2 The appointment and reappointment of a Shariah Committee member shall obtain prior written approval of the Bank.

33.3 In approving the appointment and reappointment, the Bank may impose necessary conditions as it deems fit.

33.4 The Shari'ah Committee shall consist of a minimum of three (3) members. Among these Committee members at least two (2) shall be proficient in Islamic finance and/or Islamic Commercial Jurisprudence.

33.5 Majority members of the Shariah Committee shall be able to demonstrate strong proficiency and knowledge in Islamic Commercial Jurisprudence and have good understanding of Islamic Finance and the English language.

33.6 The Shariah Committee may comprise conventional experts from relevant backgrounds such as finance and law, which could support the depth and breadth of the Shariah deliberations.

33.8 The Shariah Committee shall comprise members of diverse backgrounds in terms of qualification, experience, and knowledge.

33.9 In the event that a Shariah Committee member becomes subject to any ground of disqualification or otherwise becomes unfit to hold such appointment the Islamic bank shall terminate the appointment of the Shariah Committee member.

33.10 An Islamic bank shall notify the Bank of any resignation or dismissal of a member of the Shariah Committee within fourteen (14) days of the date of resignation or dismissal, stating the reasons of such resignation or dismissal.

33.11 The resignation or dismissal will only take effect upon approval from the Bank .

## 34.0 Shariah Committee Meetings

34.1 The committee meeting shall follow the same format and manner in which Board meetings are executed.

## 35.0 Disclosure of Shariah Non-Compliance

35.1 The Islamic banks shall report all potential and actual shariah non-compliance event to the Bank within fourteen days.

35.2 The Shariah Committee must table any potential shariah non-compliance within the quarter the event occurs.

35.3 Actual shariah non-compliance event report shall be accompanied with rectification plan approved by the Board.

35.4 The Shariah Committee shall make decision on any potential shariah non compliance event within the quarter it occurs.

35.5 The Islamic banks shall disclose in its annual account all shariah non-compliance events.