

FIT AND PROPER POLICY

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Ukrainian Credit Co-operative Ltd

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1 Introduction

Primary responsibility for ensuring the fitness and propriety of individuals holding responsible person positions within the Co-operative rests with the Board of Directors. As a result the Board has adopted this Fit and Proper Policy to “manage the risk to its business or financial standing that persons acting in responsible person positions are not fit and proper”.

To achieve this objective, this Fit and Proper Policy sets out:

1. how the Board will ensure responsible persons are competent and act with honesty and integrity;
2. the matters the Co-operative will consider in determining if a person is fit and proper for a responsible person position;
3. the processes that will be followed by the Co-operative in assessing whether a responsible person is fit and proper; and
4. the actions the Co-operative will take if it is not satisfied that a person is fit and proper for a responsible person position.

1.1 Prudential Regulation

Prudential Standards CPS 520 and associated Guidance Notes

1.2 Board Authority

The Board of Directors adopted this policy statement on 20th Sept 2006.

1.3 Reviews

The Co-operative’s Board reviews and amends these policies, both yearly and as major changes occur during the period. A history of review of this policy and extent of recommended and ratified changes are as follows:

Date & Endorsed by	Review changes/comments
Board approved Policy on 20 th September 2006.	Version 1.1
July 2009 – Corporate Governance Committee	Amendments to chapter 6 and Reporting Schedule in chapter 8. Other minor changes and formatting.
1 March 2011 – Corporate Governance Committee 16 March 2011 - Board	No changes.
Jul 2012 – Corporate Governance Committee 24 Jul 2012 - Board	Minor grammatically changes only.
13 Aug 2013 – Corporate Governance Committee 27 Aug 2013 - Board	APS520 is now CPS520 Updated January 2013. As a result, considerable changes have been made to the policy that reflect the updated standard. Attachment 1 removal of subsidiary section at end because we do not have a subsidiary and it is not relevant.

	The Policy has been considerably reworded in order to clarify the policy and align it with CPS520.
10 Jun 2014 – Corporate Governance Committee 24 Jun 2014 - Board	“Dnister” replaced with “the Co-operative” “ITSA” replaced with “Australian Financial Security Authority (AFSA)” as it was renamed “Privacy Policy” extended to “Privacy and Credit Reporting Policy”

2 Application of the Policy

This policy applies to all responsible persons in the Co-operative. A responsible person is:

- a director of the Co-operative;
- a senior manager of the Co-operative; and
- an appointed auditor who prepares reports required under the *Banking Act, 1959* (the Act).

Definitions of these positions, as well as a complete definition of a responsible person, are contained in Attachment 1. It is worth noting a responsible person does not need to be an employee of the Co-operative (i.e. they can be a contractor or consultant).

The Co-operative will maintain a current schedule of responsible people and details of the competencies and training required for each position.

3 Criteria for Assessment

3.1 Criteria for Assessment of Responsible Persons within the Co-operative

Responsible persons within Co-operative must:

- possess the competence, character, diligence, honesty, integrity and judgement to perform properly their duties;
- not be disqualified from holding a responsible person position under the *Banking Act, 1959*;
- have no conflict of interest in performing the duties of the responsible person position;
- if the person has a conflict of interest, it would be prudent for the Co-operative to conclude that the conflict will not create a material risk that the person will fail to perform properly the duties of the position; and
- for a senior manager be ordinarily resident in Australia.

A person will only be assessed as fit and proper for a responsible person position within the Co-operative once all of these criteria are satisfied. The Co-operative will define questions that indicate the ability to meet the character component of these criteria. These questionnaires along with the competency and training requirements will be incorporated into the human resource and director election practices of the Co-operative, wherever possible. They will always be integrated into the appointment process and the performance evaluation process for every responsible person.

Notwithstanding these questions, criteria and processes, it is still a matter for the Board of the Co-operative to make the final decision as to whether or not a person is fit and proper; although, this decision may be over ridden by APRA.

Section 6 of this Fit and Proper Policy details the process that will occur if a person is not found to be fit and proper.

3.2 Criteria Applying to Responsible Person Auditors

A person serving in a responsible person position as the Co-operative's auditor must also satisfy the criteria mentioned above in relation to responsible person positions within the Co-operative. In addition, to be considered fit and proper the person must:

- (a) be a registered auditor under the *Corporations Act 2001*;
- (b) be ordinarily resident in Australia;
- (c) be a member of a recognised professional body; and
- (d) have a minimum of 5 years relevant experience in the audit of ADIs (which would make it "prudent to conclude that the person is familiar with current issues in the audit of ADIs).

If the Co-operative believes that, despite not complying with the above criteria, there are exceptional circumstances that make it appropriate for a person to continue in a responsible person auditor position, that person may continue in the position and the Co-operative will promptly notify APRA "of which eligibility criteria are not satisfied and of the exceptional circumstances" that make it appropriate for that person to continue in the position. The person may continue to hold the responsible person auditor position until APRA notifies the Co-operative that it is inappropriate.

The Co-operative will define and maintain competency requirements, questions, criteria and tools for the assessment of responsible person auditors, incorporated in the assessment and appointment process.

4 Time for Conducting a Fit and Proper Assessment

Unless otherwise in accordance with this Fit and Proper Policy, assessments of a person's fitness and propriety for a responsible person position will be made:

- (a) prior to a person being appointed to a responsible person position; and
- (b) annually after appointment to a responsible person position.

Assessments of a person's fitness and propriety for a responsible person position will not necessarily be made prior to the appointment of that person to a responsible person position where:

- (a) the person holds the position because of a resolution of members of the Co-operative; or
- (b) because APRA has determined in writing that the person is a responsible person, as the person plays a significant role in the management or control of the Co-operative, or the person's activities may materially impact on prudential matters.

In each of these cases, an assessment of the fitness and propriety of the person is required "to be completed within 28 days of the person becoming the holder of the responsible person position".

Dnister may conduct reasonable limited checks on fitness and propriety of persons being appointed to responsible person positions, if:

- (a) “the regulated institution could not reasonably have anticipated that it would need to appoint someone to the position with sufficient time to conduct a fit and proper assessment; and
- (b) the person holds the position on an interim basis for no more than 90 days or such longer period as APRA agrees in writing”.

However, an assessment of the fitness and propriety of the person will be conducted in accordance with the usual procedures under this Fit and Proper Policy as soon as practicable. This includes a full assessment of the fitness and propriety of a person holding an interim position, if that position will extend beyond 90 days or such longer period agreed by APRA in writing.

5 Process for Assessment of Fitness and Propriety

Assessments of fitness and propriety will be built into the Co-operative’s recruitment and promotion processes for responsible person positions. In terms of recruitment, the assessment must include:

- Police checks;
- Insolvency Check with Australian Financial Security Authority (AFSA)
- Disqualification Register Check with APRA and ASIC
- Checks on qualifications:
- Appropriate references being obtained.

The process for determining the fitness and propriety of a person within the Co-operative being promoted to a responsible person position will be the same with the exception of the advertisement of the position.

The authorised person who is responsible for conducting the assessment will vary depending on the responsible person position being filled.

5.1 Persons Responsible for Conducting Fit and Proper Assessments

The Co-operative recognises that a number of people need to be involved in conducting assessments of the fitness and propriety of persons commencing employment in a responsible person position as well as of persons holding those positions. Consequently, the Co-operative has assigned the following people responsibility for assessing the fitness and propriety of persons applying for or holding the specified responsible person positions.

Responsible Person Position	Assessor
Candidates for election as Director	<ul style="list-style-type: none"> • Corporate Governance Committee
Directors Annual Assessment	<ul style="list-style-type: none"> • Corporate Governance Committee
Auditors	<ul style="list-style-type: none"> • Audit & Risk Management Committee
Chief Executive Officer / Company Secretary	<ul style="list-style-type: none"> • Corporate Governance Committee
Executive Management Team	<ul style="list-style-type: none"> • Corporate Governance Committee
Other Management	<ul style="list-style-type: none"> • Chief Executive Officer

5.2 Information to be Obtained by the Co-operative

The Co-operative requires candidates to complete a Responsible Person Attestation that includes a declaration relating to the criteria APRA requires the Co-operative to consider when making an assessment of fitness and propriety.

As well as conducting interviews, the assessor will complete checks to ensure the candidate's skills and experience fulfil the competence requirements of the position.

All referees provided by the candidate will also be checked.

The Co-operative recognises that, to make a prudent assessment of a person's fitness and propriety, some of the information that it collects in relation to candidates will be "sensitive information as defined in the *Privacy Act 1988*" and may only be obtained with the consent of the candidate. The candidate will be requested to complete a Candidate Consent Form, which also allows the Co-operative to provide any information that it gathers to APRA.

All sensitive information obtained in relation to a candidate will be treated in accordance with the Co-operative's Privacy and Credit Reporting Policy.

5.3 Annual Fit and Proper Assessments

Assessments of responsible persons holding responsible person positions will be conducted on an annual basis or “as close to annual as is practicable”.

The Co-operative has a check list for the annual fit and proper assessments.

Responsible persons are required to complete an annual attestation. This requires a responsible person to declare that the information contained in the statutory declaration is true and correct. It also requires responsible persons to add details of additional qualifications, memberships or training they have obtained during the year as well as asking for any other information that may impact on their assessment as a fit and proper person.

If the Co-operative or the person responsible for assessing the fitness and propriety of a responsible person, “becomes aware of information that may result in the person being assessed as not fit and proper”, a new fit and proper assessment will occur promptly in relation to the responsible person. This will include undertaking reasonable inquiries and, if necessary, collecting sensitive personal information and will take into account the possible materiality of the matter.

5.4 Documentation of Fit and Proper Assessments

The Co-operative will document each fit and proper assessment conducted in accordance with this Fit and Proper Policy for each responsible person and will retain such documentation for current responsible person position and “recently past” responsible persons of the Co-operative. The Co-operative will also retain copies of “information considered in making the assessment”. These documents will be stored in a locked filing cabinet in the Compliance & Risk Manager’s office.

6 When a Responsible Person is not Fit and Proper

If, after the Co-operative has made reasonable enquiries into a person’s background for the purpose of assessing them for a responsible person position, the Co-operative does not consider the person to be fit and proper (or if a reasonable person in the Co-operative’s position would hold that opinion), then the Co-operative will:

- (a) “take all steps it prudently can to ensure that the person is not appointed to, or for an existing responsible person, does not continue to hold, the responsible person position”; or
- (b) if the Co-operative is “unable to refuse to make the appointment or remove the person” from the responsible person position, it will notify APRA (refer to *Informing APRA of Certain Information* in this policy for details of the information to be given to APRA). The Co-operative will “not hinder APRA in exercising or considering the exercise of, its powers of removal and disqualification in relation to the person”.

The Co-operative must notify APRA “within 10 business days if it assesses that a responsible person is not fit and proper”.

7 Whistleblowing

The Co-operative is committed to fulfilling its obligations under CPS 520 by ensuring a free flow of relevant information to relevant positions in the organisation. Therefore in accordance with CPS 520, the Co-operative has developed these whistleblowing provisions (and associated confidential and secure mechanisms) to protect persons making reports to the Co-operative, APRA or other relevant regulatory authority about any non-compliance or unethical behaviour.

In particular the Co-operative encourages reporting of the following beliefs where they are held in good faith.

Reportable belief	Who should make the report	To whom the report should be made	What should be reported
A belief that a responsible person does not meet the Co-operative's fit and proper criteria	Employees or Directors of the Co-operative	The person responsible for the assessment of the fitness and propriety of the responsible person or APRA or both	The belief and the reasons for it
A belief that the Co-operative has not complied with CPS 520	Employees or Directors of the Co-operative or other persons	APRA	The belief and the reasons for it

To ensure that there can be full disclosure to APRA, the Co-operative will “not constrain, impede, restrict or discourage, whether by confidentiality clauses, policies or other means” a person with a belief that a responsible person or the Co-operative has not complied with CPS 520 “from disclosing information or providing documents to APRA”.

Additionally employees and all responsible persons will be provided with training in this policy at their induction. They will also be reminded of the policy during their performance evaluations that no person who makes a disclosure regarding compliance with CPS 520 will be “subject to, or threatened with, a detriment because of any notification” and that any person who held a responsible person position may disclose information or provide documents to APRA “relating to their reasons for resignation, retirement or removal” or discuss the matter with APRA.

7.1 Investigation of the Belief

When a person (the whistleblower) reports a belief that a responsible person does not meet the Co-operative's fit and proper criteria to the person responsible for making the assessment (the assessor), that assessor will keep the report “confidential and secure within the law” and will re-assess the responsible person's fit and proper status “with the objective of locating evidence that either substantiates or refutes the claims made by the whistleblower”. If anonymity during the investigation cannot be maintained, a person may request relocation or a leave of absence.

Investigation of the report will include locating evidence, which may necessitate a request for more information from the whistleblower. The Co-operative will provide the whistleblowers with feedback on the investigation into the re-evaluation of the person's fit and proper assessment. The Co-operative will also provide the whistleblower with protection from

retaliation. The identity or any information that could identify the whistleblower will not be released to any person who is not involved in the investigation or resolution of the matter.

The Co-operative will take all reasonable steps to ensure that no whistleblower making a disclosure to the Co-operative or to APRA is threatened with, a detriment such as dismissal, demotion, any form of harassment, discrimination or current or future bias, because of their report under this Fit and Proper Policy.

Should a person who has reported a belief that a person is not fit and proper, or a belief that the Co-operative is not complying with CPS 520, believe that they have experienced any such disadvantage, the person is encouraged to report this belief to a director of the Co-operative, or APRA or both.

7.2 Abuse of Reporting Process

Abuse of the confidential reporting process will not be tolerated. Maliciously reporting unfounded allegations will be treated seriously. All reports made under the confidential reporting process must be made in good faith.

7.3 Monitoring and Training

The Co-operative will monitor and review these whistleblowing provisions annually to assess their effectiveness in encouraging the reporting of reportable beliefs, protection of persons making reports, investigating fairly and effectively and rectifying mistaken assessments.

This monitoring will be facilitated by reports to the Board that will not compromise confidentiality.

Training and education regarding these provisions will be conducted on a regular basis, including practical advice and the criteria used to assess whether a person is a fit and proper person and encourage whistleblowing to its directors and to those of its employees, and the directors and employees of its subsidiaries, “who are likely to have information relevant to fit and proper assessments”.

8 Informing APRA of Certain Information

CPS 520 imposes on the Co-operative a number of obligations to notify APRA of certain information, in writing and, at times, in the prescribed manner, to ensure that all information provided to APRA remains current for all responsible persons. The Co-operative will comply with these obligations which can be summarised as follows:

Circumstance giving rise to notifying APRA	Information to be notified to APRA	Time at which information to be notified
Appointment or election of a person to a responsible person position	<p>“The following details, to the extent known to the regulated institution:</p> <ul style="list-style-type: none"> (i) the person’s name, date of birth (for identification purposes only), the person’s position and main responsibilities; and (ii) a statement whether the person complies with the fit and proper criteria as applicable. 	Within 28 days of the appointment

Circumstance giving rise to notifying APRA	Information to be notified to APRA	Time at which information to be notified
A responsible person resigns, retires or is removed.	Notification of that change.	Within 28 days of the change
There is a material change in the responsibilities of a responsible person.	Details of the material change to the responsibilities of a responsible person.	Within 28 days of the change
The Co-operative “forms the belief that a person is not fit and proper for a responsible person position they hold”	<p>The basis for the belief and:</p> <ul style="list-style-type: none"> (a) if the person remains in the responsible person position, the notification must state the reason for this and the action being taken; or (b) if the person no longer holds the responsible person position for which the regulated institution considers they were not fit and proper, a statement of that fact. 	“As soon as practicable, and in any event, within 10 business days after the date when the relevant belief was formed.”
The Co-operative “forms the belief that information material to an assessment required by the Fit and Proper Policy is held by any person but that, having taken reasonable steps to obtain the information from that person, it has not been obtained within a reasonable time.”	<p>The following:</p> <ul style="list-style-type: none"> (a) “what the information relates to; (b) who has it; (c) what steps the Co-operative has taken to obtain it.” 	“As soon as practicable, and in any event, within 10 business days after the date when the relevant belief was formed.”
Annual reporting	<p>The following:</p> <ul style="list-style-type: none"> (a) “a list of the Co-operative’s responsible persons with, for each, their date of birth (for identification purposes only) and the responsible person position that they hold at the date of lodgement of the list. 	Annual D2A Reporting ARF520 Report as at 31 March.
A request from APRA for information or documentation “to assist APRA in assessing the fitness and propriety of a person” for CPS 520.	The information requested, which may include a copy of the Fit and Proper Policy.	As specified at the time by APRA

9 Review and Publication of Fit and Proper Policy

This Fit and Proper Policy is not a static document and should at all times reflect the Co-operative's statutory obligations and best practices. Consequently, this policy will be reviewed at least annually and when new guidelines are issued by APRA or other statutory bodies to ensure that both the policy and the implementation of the policy meet the current requirement.

The Co-operative will make the policy available to any person upon request. A copy of the Fit and Proper Policy will also be provided to all candidates for election as a director "as soon as possible after the candidate is nominated" as well as to "any other person before an assessment of their fitness and propriety is conducted".

There will also be an annual training session for all responsible persons on the provisions of this Fit and Proper Policy and a copy will be given as part of the induction process to all persons employed, promoted or elected into a responsible person position.

10 Fit and Proper and Risk Management

Having a person who is not fit and proper employed in a responsible person position must be considered a compliance risk. Consequently, this Fit and Proper Policy will form part of the Co-operative's risk management system as required under *Prudential Standard APS 310 Audit and Related Arrangements for Prudential Reporting*.

11 Attachments

Attachment 1- Responsible Person Definitions

Director

A director is defined in section 9 of the *Corporations Act 2001* as:

- (a) “a person who:
 - (i) is appointed to the position of a director; or
 - (ii) is appointed to the position of an alternate director and is acting in that capacity;regardless of the name that is given to their position; and
- (b) unless the contrary intention appears, a person who is not validly appointed as a director if:
 - (i) they act in the position of a director; or
 - (ii) the directors of the Co-operative are accustomed to act in accordance with the person's instructions or wishes.

Subparagraph (b)(ii) does not apply merely because the directors act on advice given by the person in the proper performance of functions attaching to the person's professional capacity, or the person's business relationship with the directors or the Co-operative body.”

Responsible Person

A responsible person is defined in paragraph 14 of CPS 520 as

- (a) a director of the regulated institution;
- (b) a senior manager of the regulated institution;
- (c) an appointed auditor who provides any report in relation to the ADI that is required to be prepared by an auditor under the Banking Act, prudential standards made under the Banking Act or reporting standards under the Financial Sector (Collection of Data) Act 2001 (responsible person auditor); and
- (d) any other person whom APRA determines by notifying the regulated institution in writing being a person whom APRA is satisfied plays a significant role in relation to the management or control of the regulated institution, or provides services or support for it which are of a prudentially significant nature.”

Responsible Person Position

The “responsible person position means the functions and duties to be undertaken by a responsible person that involve any relevant activities. A person need not be an employee of the regulated institution to be a responsible person. In some circumstances a consultant or contractor may be a responsible person.”

Senior Manager

A Senior Manager is any person who is responsible for senior management activities. These activities “may materially affect the whole or a substantial part of the regulated institution’s business or its financial standing” and may include any of the following:

- “(a) participation in decision making;
- (b) implementing strategies and enforcing policies approved by the Board of directors;
- (c) developing and implementing processes or systems that identify, assess, manage or monitor risks in relation to business activities and operations; and
- (d) monitoring the appropriateness, adequacy or effectiveness of risk management systems.”

Normally, this will not extend beyond the CEO, and those reporting to the CEO.