



**FIT AND PROPER GUIDELINES FOR KEY RESPONSIBLE  
PERSONS OF REGULATED ENTITIES, 2022**

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## **1. PRELIMINARY**

- 1.1 The Directors of the Boards, senior management and control functions have the primary responsibility for sound corporate governance, risk management and oversight of the regulated entities. These persons identified as ‘Key Responsible Persons’ must have the necessary competencies, experience, financial soundness and personal integrity to perform their responsibilities to preserve the confidence of the stakeholders and safeguard the interest of the regulated entity.
- 1.2 **The Fit and Proper Guidelines for Key Responsible Persons of Regulated Entities** shall provide guidance to the regulated entities in assessing whether the key responsible persons are fit and proper in carrying out their required duties and responsibilities.
- 1.3 These Guidelines are issued in pursuant to Section 210 of the Financial Services Act of Bhutan 2011.

## **2. OBJECTIVES OF FIT AND PROPER ASSESSMENT**

- 2.1 The main objectives of the fit and proper assessment are:
  - (a) to facilitate the regulated entities in ensuring that the key responsible persons have the required competencies, experiences and integrity to perform their duties and responsibilities; and
  - (b) to ensure that the regulated entities prudently appoint fit and proper persons in key responsible positions.

## **3. APPLICABILITY AND COMMENCEMENT**

- 3.1 These Guidelines shall be applicable to the key responsible persons of regulated entities under the purview of the Authority.
- 3.2 These Guidelines shall be read in close conjunction with the Corporate Governance Rules and Regulations (CGRR) in force.
- 3.3 These Guidelines shall come into effect from 1<sup>st</sup> July 2022.
- 3.4 These Guidelines shall supersede the Guidelines for Fit and Proper Assessment of Board Directors and CEOs of Regulated Entities issued in January 2022.

## **4. KEY RESPONSIBLE PERSONS**

- 4.1 A regulated entity shall identify, based on their organizational structure, the list of the “Key Responsible Persons”.
- 4.2 The “Key Responsible Person” is defined as a person who holds the following positions in key functions of a regulated entity:
  - i. **Board** – means the chairman, members of the board and company secretary;

- ii. **Senior Management** –means the Chief Executive Officer (CEO) and senior officers appointed by the Board or management for the day-to-day management of the regulated entity. The senior officers shall generally be one or two levels below the CEO and shall include but not limited to: heads of finance and accounts, operations, information management/information technology, human resources, legal, and key business areas (credit, investment, insurance etc., depending on the nature of business of the regulated entity); and
- iii. **Control Functions**- head of risk management, head of internal audit and head of compliance.
- iv. The regulated entity may include other officers as the key responsible persons where their duties and responsibilities may pose a material risk to the regulated entity and shall require fit and proper assessment.
- v. In addition, the Authority shall include the significant owners as defined in FSA 2011 during the time of license application assessment.

## **5. WHEN TO ASSESS THE FIT AND PROPER OF KEY RESPONSIBLE PERSONS**

5.1 Fit and proper assessment of key responsible persons shall be required for:

- i. Initial appointment and re-appointment of director of the board;
- ii. Initial appointment and re-appointment of CEO;
- iii. Initial appointment and re-appointment of the key responsible persons in senior management, control functions and material risk personnel of the regulated entity;
- iv. When there is a change in the role of the key responsible person such as in the case of transfer from one key responsible position to another key responsible position; and
- v. Significant owners during the time of assessment of license application.

5.2 The regulated entity shall ensure that the key responsible persons continue to meet the fit and proper criteria on an ongoing basis. The regulated entity shall annually:

- i. review the fitness and propriety of the directors of the board and CEO and report to the Authority whenever the regulated entity becomes aware of the information that may materially compromise a director's or CEO's fitness and propriety.
- ii. review the fitness and propriety of the key responsible persons of senior management (other than the CEO), control functions and material risk personnel, and report to the Authority whenever the regulated entity becomes aware of the information that may materially compromise a key responsible person's fitness and propriety.

## **6. FIT AND PROPER CRITERIA**

6.1 The regulated entity shall assess the fit and proper of the key responsible persons using the criteria under the following main three factors:

- i. honesty, integrity and reputation;
- ii. competence and capability; and
- iii. financial soundness.

6.2 The set of criteria under the three factors are stipulated in *Annexure 1*.

6.3 The Authority may prescribe additional fit and proper criteria as and when necessary.

6.4 The regulated entity may adopt additional fit and proper criteria over and above the minimum criteria prescribed in these Guidelines to assess the fit and proper assessment of key responsible persons.

## **7. FIT AND PROPER PROCESS OF BOARD OF DIRECTORS AND CEOs**

7.1 Sections 36 to 43 of the Corporate Governance Rules and Regulations 2020 require the regulated entities to assess the fit and proper of the board of directors and the CEOs and obtain a *No Objection Letter* from the Authority. This section outlines the process for conducting the fit and proper assessment and obtaining a *No Objection Letter* from the Authority.

### **7.2 Duties and Responsibilities of Regulated Entities**

7.2.1 The regulated entities shall be responsible for assessing the fit and proper of the nominees/candidates for the board of directors and CEOs including conducting due diligence of the candidates before applying for a *No Objection Letter* on fit and proper from the Authority.

7.2.2 The regulated entity shall designate the company secretary or relevant officer as the focal person for carrying out a fit and proper assessment of the board of directors and CEO.

#### **7.2.3 Pre-qualification Criteria for Fit and Proper**

7.2.3.1 The regulated entity shall ensure that the candidate for the board of directors fulfills the pre-qualification criteria for appointment and reappointment of the board director prescribed in CGRR in force. The regulated entity shall not proceed with fit and proper assessment if the candidate does not meet the pre-qualification criteria. The pre-qualification criteria for initial appointment and reappointment of the board of directors are given below.

##### **a) For initial appointment**

A nominee shall not be considered for appointment as the board of directors if he/she:

- i. is a board director or an employee of another regulated entity (exception may be considered if the regulated entities which are not in the same line of business);
- ii. was a board director in another regulated entity and has not completed a minimum cooling period of six months;

- iii. has a family member or associate (partner, employee, director) on the board of the regulated entity concerned;
- iv. is a politician or is affiliated to a political party in the country, and has not deregistered from the party completed for a minimum period of one year at the time of appointment;
- v. was an employee of the regulated entity concerned and has not completed a cooling period of one year;
- vi. was convicted or is under investigation for a criminal case; or
- vii. was penalized or facing disciplinary proceedings for breaches of duties.

**b) For reappointment**

A board director shall not be considered for reappointment if he/she:

- i. has not attended at least two-thirds of the total board meetings held in a year as a board director in the entity concerned (shall be disqualified if the two-thirds attendance requirement is not met in any year during the tenure of the director);
- ii. has not completed a cooling period of one year after serving two consecutive terms in the same regulated entity (for ordinary directors);
- iii. has served as an independent director for two consecutive terms in the same regulated entity (for reappointment as an independent director);
- iv. was convicted or is under investigation for a criminal case; or
- v. was penalized or facing disciplinary proceedings for breaches of duties.

7.2.3.2 The regulated entity shall ensure that the candidate for the post of CEO fulfills the pre-qualification criteria for appointment and re-appointment of the CEO prescribed in CGRR in force. The regulated entity shall not proceed with fit and proper assessment if the candidate does not meet the pre-qualification criteria. The pre-qualification criteria for initial appointment and re-appointment of the CEO are given below:

**a) For initial appointment**

A person shall not be considered for selection for the post of CEO if he/she:

- i. is a significant owner of the regulated entity concerned;
- ii. is more than 65 years at the time of applying for the position;
- iii. has not completed a cooling period of six months if he/she has served as a board director of the regulated entity concerned;
- iv. has not completed a cooling period of six months if he/she has served as CEO of another regulated entity;
- v. was convicted or is under investigation for a criminal case; or
- vi. was penalized or facing disciplinary proceedings for breaches of duties.

## **b) For reappointment**

A CEO shall not be considered for re-appointment if he/she:

- i. has served as the CEO of the regulated entity concerned for two consecutive terms;
- ii. has reached the age of 70 years;
- iii. was convicted or is under investigation for a criminal case; or
- iv. was penalized or facing disciplinary proceedings for breaches of duties.

7.2.3.3 The regulated entity shall require the nominee for the board of directors to complete the Fit and Proper Declaration Form- 1 given in *Annexure 2*.

7.2.3.4 The regulated entity shall require the short-listed candidate for the CEO to complete the Fit and Proper Declaration Form- 2 given in *Annexure 3*.

7.2.3.5 It shall be the responsibility of the regulated entity to ensure that the candidates have filled in the fit and proper declaration form completely and correctly, and collect all the required documents. The main document requirements of a candidate for fit and proper shall include:

- i. Curriculum Vitae (CV);
- ii. A copy of CID (a copy of passport for non-Bhutanese);
- iii. A copy of the CIB report (with a credit history of the candidate for the past one year);
- iv. A copy of valid Security Clearance;
- v. A copy of valid Audit Clearance report from RAA for public servant candidate;
- vi. A copy of clearance letter from RCSC for civil servant candidate;
- vii. Attendance report of the past board meetings and performance evaluation report\* of the director concerned (for reappointment only); and
- viii. Performance evaluation report of the CEO (for re-appointment only).
- ix. For the appointment of the non-Bhutanese candidate as a Board Director or a CEO, a regulated entity concerned shall submit a letter from the foreign parent company, principal shareholder or FDI investor in lieu of a CIB report and security clearance.

### **7.2.3 Board of Director Nominees of State-Owned Enterprises**

7.2.3.1 Where a regulated entity is a State-Owned Enterprise, the regulated entity concerned in consultation with the Ministry of Finance shall assess the fit and proper of the nominees of the board directors and obtain a *No Objection Letter* from the Authority before submitting it to the Cabinet for approval.

### **7.2.4 Board of Director Nominees from the Civil Service**

7.2.4.1 The regulated entity shall ensure that a board director nominee from the civil service obtains clearance from the Royal Civil Service Commission as a part of the fit and proper assessment.

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\* The performance evaluation report shall be required after performance evaluation of board of directors are introduced in the regulated entities by the Authority.

### **1.1.1 Assessment of Fit and Proper of Board Directors and CEOs**

7.2.5.1 The regulated entity shall assess the candidate's fit and proper as per the Fit and Proper criteria in *Annexure 1* based on the information provided in the Fit and Proper Declaration Forms. It shall be the responsibility of the company secretary or the relevant person to confirm that the candidate has truthfully declared each item in Form 1 (for the Board of Directors) and Form 2 (for CEOs) and signed. The regulated entities shall collect additional information from the candidate or other relevant sources to validate the information provided in the declaration forms.

### **1.1.2 Application for *No Objection Letter* from the Authority for Board Directors and CEOs**

7.2.6.1 After the fit and proper assessment are completed, the regulated entity shall apply to the Authority for a *No Objection Letter* (NOL) on the fit and proper of directors at least thirty (30) days prior to the Annual General Meeting.

7.2.6.2 In case of a vacancy of a director occurring after the Annual General Meeting, the regulated entity shall submit the application to the Authority for a *No Objection Letter* at least thirty (30) days prior to the impending vacancy and appoint the director after being endorsed by the Extra-Ordinary Annual General Meeting.

7.2.6.3 The regulated entity shall submit an NOL application to the Authority along with the Fit and Proper Declaration Form of a director or a CEO candidate with the documents listed in 7.2.3.5.

7.2.6.4 The NOL application for board director shall be signed by the CEO confirming that the candidate has been assessed and is fit and proper to be a director of the board.

7.2.6.5 The NOL application for the CEO candidate shall be signed by the board chairman confirming that the candidate has been assessed and is fit and proper to be a CEO.

### **7.3 Review of Fit and Proper by the Authority**

7.3.1 The Department of Financial Regulation and Supervision (DFRS) shall be the focal department in the Authority for reviewing the fit and proper of the members of the board and CEO in line with the requirements of these Guidelines.

7.3.2 The Executive Committee (EC) of the Authority shall be the approving authority for the issuance of a *No Objection Letter* for fit and proper.

7.3.3 The Authority shall carry out the review of the fit and proper assessment within fifteen (15) days after the receipt of complete documents from the regulated entities. The Authority shall not review the fit and proper unless the documents are complete and due diligence has been carried out by the regulated entity.

7.3.4 The Authority may ask for additional documents whenever necessary.

7.3.5 The Authority shall validate the integrity of the candidates from the Anti-Corruption Commission.

#### **7.4 The Powers of the Authority**

7.4.1 The Authority shall reserve the right to deny issuance of a *No Objection Letter* to the candidate(s) for board director(s) or CEO on the grounds but not limited to the following:

- i. if he/she was convicted or is under investigation for a criminal case;
- ii. if he/she was penalized or facing disciplinary proceedings for breaches of duties;
- iii. if the regulated entity was rated *High on Overall Net Risk (ONR)* by the Authority where he/she served as a director or CEO; or
- iv. he/she does not meet the overall board composition requirement or finds that the candidate does not have adequate experience and expertise to contribute to the board deliberations and decision-making.

7.4.2 In addition to the above, the Authority shall also review the performance of the board members and CEOs for reappointment.

7.4.3 After the person is declared fit and proper and appointed as a board of directors or a CEO, but subsequently, if the Authority finds that the person has provided wrong information or concealed material information, the Authority shall declare the person not fit and proper and immediately remove from the post and take necessary actions.

### **8. FIT AND PROPER PROCESS FOR OTHER KEY RESPONSIBLE PERSONS**

8.1 The regulated entity shall conduct a fit and proper assessment for appointment or reappointments of other key responsible persons in senior management, control functions, company secretary and other material risk personnel.

8.2 The regulated entity may adopt the fit and proper criteria in *Annexure 1* of these Guidelines or develop its own criteria. The criteria shall cover all the three factors: i) honesty and integrity, ii) competence and experience, and iii) financial soundness.

8.3 The regulated entity shall collect and review the mandatory document requirements such as security clearance, audit clearance (wherever relevant), CIB report etc.

8.4 After the person is assessed fit and proper, the regulated entity shall submit the application for NOL to the Authority with the *Fit and Proper Form 3* in **Annexure 4**.

8.5 The Authority shall review among others, whether or not the individual was previously imposed administrative actions or penalties for breaches of duties in the regulated entity concerned or other regulated entities.

- 8.6 The Authority shall disqualify such persons for appointment as key responsible persons or other positions in the same or other regulated entities.

## **9. INFORMATION DISCLOSURE AND CONFIDENTIALITY**

- 9.1 The persons who are considered for appointment or renewal as the Board of Director or the CEO of a regulated entity shall be required to disclose information for the purpose of fit and proper assessment.
- 9.2 The staff of the regulated entities responsible for conducting fit and proper assessments shall ensure that the information collected is kept confidential and used for intended purposes only.

## **10. ENFORCEMENT**

- 10.1 The Authority shall monitor the adherence to the provisions of these Guidelines through its regular on-site- inspection and off-site surveillance of the regulated entities;
- 10.2 The Authority shall review the adequacy of the fit and proper assessment process and fit and proper reports of key responsible persons through its regular on-site- inspection and off-site surveillance of the regulated entities; and
- 10.3 The Authority shall take supervisory actions against the regulated entities' non-compliance with these Guidelines.

## **11. REVIEW AND AMENDMENT**

The Guidelines shall be reviewed and amended from time to time.

## 12. DEFINITIONS

In these Guidelines, the following terms shall have the meanings indicated unless the content clearly indicates otherwise.

- i. **“Authority”** means the Royal Monetary Authority of Bhutan established under the Royal Monetary Authority Act of Bhutan 2010.
- ii. **“Board”** or **“Board of directors”** means the body that supervises the management of a regulated entity;
- iii. **“CEO”** means Chief Executive Officer as defined in sections 34 and 35 of the Financial Services Act of Bhutan 2011;
- iv. **“Control function”** means internal audit, risk management and compliance functions.
- v. **“Family member”** means a natural person and includes spouse, dependent children or other dependents of a person being of the same household as defined in CGRR.
- vi. **“Material risk personnel”** means individuals who have the authority to make decisions or conduct activities that can significantly impact the regulated entity’s safety and soundness, or cause harm to a significant segment of the entity’s customers or other stakeholders.
- vii. **“Regulated Entity”** means a bank, insurance company, pension and provident fund, fund management or any other entity as specified by the Authority as per the Financial Services Act 2011.
- viii. **“Senior Management”** means Chief Executive Officer and senior officers appointed by the Board for the day-to-day management of the regulated entity as defined in CGRR.
- ix. **“Significant Owner”** has the same definition as in Section 371 of the Act.

## **ANNEXURE 1: FIT AND PROPER CRITERIA**

The regulated entity shall carry out the Fit and Proper assessment as per the criteria stipulated herein before submitting to the Authority for obtaining a ‘*No Objection Letter*’.

### **Fit and Proper Criteria**

The regulated entity shall take into account the following factors in determining whether a candidate for appointment as a director on the board or a CEO of a regulated entity is fit and proper:

- i) honesty, integrity and reputation;
- ii) competence and capability;
- iii) financial soundness; and
- iv) declaration of business interests.

### **Honesty, Integrity and Reputation**

When assessing the honesty, integrity and reputation of a candidate, the entity shall consider whether the candidate:

- i. has been refused the right or restricted in its or his right to carry on any trade, business or profession for which a specific license registration or other authorization is required by law in any jurisdiction;
- ii. has been issued a prohibition order under any Act administered by the Authority or has been prohibited from operating in any jurisdiction by any financial services regulatory authority;
- iii. has been censured, disciplined, suspended or refused membership or registration by the Authority, any other regulatory authority, an operator of a market or clearing facility, any professional body or government agency, whether in Bhutan or elsewhere;
- iv. has been the subject of any complaint made reasonably and in good faith, in the determination of the Authority, relating to activities that are regulated by Authority or under any law in any jurisdiction;
- v. has been the subject of any proceedings of a disciplinary or criminal nature or has been notified of any potential proceedings or of any investigation which might lead to those proceedings, under any law in any jurisdiction;
- vi. has been convicted of any offence, or is being subject to any pending proceedings which may lead to such a conviction, under any law in any jurisdiction;
- vii. has had any judgment associated with a finding of fraud, misrepresentation dishonesty entered against the relevant person in any civil proceedings or is a party to any pending proceedings which may lead to such a judgment, under any law in any jurisdiction;

- viii. has accepted civil liability for fraud or misrepresentation under any law in any jurisdiction;
- ix. has had any civil penalty enforcement action taken against him by the Authority or any other Regulatory Authority under any law in any jurisdiction;
- x. has contravened or abetted another person in breach of any laws or regulations whether in Bhutan or elsewhere;
- xi. has been the subject of any investigation or disciplinary proceeding or been issued a warning or reprimand by Authority, any other regulatory authority, an operator of a market or clearing facility, any professional body or government agency, whether in Bhutan or elsewhere;
- xii. has demonstrated an unwillingness to comply with any legal or regulatory requirement or to uphold any professional standard, whether in Bhutan or elsewhere;
- xiii. has been untruthful or provided false or misleading information to Authority or been uncooperative in any dealings with the Authority or any other regulatory authority in any jurisdiction;
- xiv. is or has been a board of director, partner, significant owner or concerned in the management of a business that has been censured, disciplined, prosecuted or convicted of a criminal offence, or been the subject of any disciplinary or criminal investigation or proceeding, in Bhutan or elsewhere, in relation to any matter that took place while the person was a director, partner, significant owner or concerned in the management of the business;
- xv. is or has been a director, partner, significant owner or concerned in the management of a business that has been suspended or refused membership or registration by the Authority, any other Regulatory Authority, an operator of a market or clearing facility, any government agency, whether in Bhutan or elsewhere;
- xvi. has been a director, partner, significant owner or concerned in the management of a business that has gone into insolvency, liquidation or administration during the period when, or within a period of one year after, the candidate was a director, partner, significant owner or concerned in the management of the business, whether in Bhutan or elsewhere;
- xvii. has been dismissed or asked to resign from: (i) office ;( ii) employment ;( iii) a position of trust; or, (iv)a fiduciary appointment or similar position, whether in Bhutan or elsewhere;
- xviii. has been disqualified from acting as a director or disqualified from acting in a managerial capacity whether in Bhutan or elsewhere;
- xix. has been an officer found liable for an offence committed by a body corporate because of the offence having proved to have been committed with the consent or connivance of, or neglect attributable to, the officer, whether in Bhutan or elsewhere; and

xx. has NPL for the past one year.

**i. Competence and Capability**

When assessing the competence and capability of a candidate, the regulated entity shall consider whether the candidate:

- a. has educational qualifications relevant to the nature of the duties they are required to perform;
- b. has experience relevant to the nature of the duties they are required to perform;
- c. has satisfactory past performance or expertise, having regard to the nature of the candidate's duties; and
- d. is not an individual who is assuming concurrent responsibilities, whether such responsibilities shall give rise to a conflict of interest or otherwise impair his ability to discharge his duties in relation to any activity regulated by the Authority under the relevant legislation.

**ii. Financial Soundness**

When assessing the financial soundness of a candidate, the regulated entity shall consider whether the candidate:

- a. is or has been unable to fulfill any of his financial obligations, whether in Bhutan or elsewhere;
- b. has entered a compromise or scheme of arrangement with his or her creditors or made an assignment for the benefit of his or her creditors, being a compromise or scheme of arrangement or assignment that is still in operation, whether in Bhutan or elsewhere; and
- c. is subject to a judgment for payment of a debt, which is unsatisfied, in either whole or part, whether in Bhutan or elsewhere.

**5. Declaration of Business Interests**

The candidate shall self-declare the list of all direct and indirect business interests.

**ANNEXURE 2. FORM 1: FIT AND PROPER DECLARATION FORM FOR BOARD OF DIRECTOR**

The purpose of the Fit and Proper Test is to determine whether the candidate would be fit for appointment as a non-executive or an independent director to the Board. Upon assessment of the candidate as fit and proper by the regulated entity, the Authority shall review and vet the assessment and issue **No Objection Letter only if the proposed candidate is found fit and proper**. The No Objection Letter implies that the Authority has no objection to the appointment of the candidate and shall not mean that the Authority approves the appointment.

The candidate for the Board of Directors of the regulated entity shall complete the following information:

**Name of the Regulated Entity:**..... \_

**1. Personal Details**

Name: \_\_\_\_\_  
 Date of Birth: \_\_\_\_\_  
 CID No./Passport no. (Non-Bhutanese) \_\_\_\_\_  
 Present Address: \_\_\_\_\_  
 Contacts: Mobile No. \_\_\_\_\_  
 Email: \_\_\_\_\_

Details of spouse (if married), children and other dependents:

| Name                        | Relationship | CID No. | DoB |
|-----------------------------|--------------|---------|-----|
|                             |              |         |     |
|                             |              |         |     |
|                             |              |         |     |
| Please add rows as required |              |         |     |

**2. Employment History**

| Organization/ Business (start from the most recent employment) | Position held | From | To |
|--|---------------|------|----|
|  |               |      |    |
|  |               |      |    |
|  |               |      |    |

|                             |  |  |  |
|-----------------------------|--|--|--|
|                             |  |  |  |
|                             |  |  |  |
|                             |  |  |  |
| Please add rows as required |  |  |  |

**3. Education**

| University/Institute        | Major field of study | Degree/Certificate | Year of completion |
|-----------------------------|----------------------|--------------------|--------------------|
|                             |                      |                    |                    |
|                             |                      |                    |                    |
|                             |                      |                    |                    |
|                             |                      |                    |                    |
| Please add rows as required |                      |                    |                    |

**4. Past Directorship** (Please mention if you have served as Board member in the entities regulated by RMA)

| Institution                 | Position (as a CEO/Ordinary Director/ Independent Director) | From (dd/mm/yy) | To (dd/mm/yy) |
|-----------------------------|---|-----------------|---------------|
|                             |   |                 |               |
|                             |   |                 |               |
|                             |   |                 |               |
|                             |   |                 |               |
|                             |   |                 |               |
|                             |   |                 |               |
| Please add rows as required |   |                 |               |

**5. Expertise and experience** (please list the expertise or the experience that can bring value to the entity concerned as a board director).

.....

.....

.....

6. Category of appointment (*please tick the relevant box*):

|                        |  |
|------------------------|--|
| Non-Executive Director |  |
| Independent Director   |  |

7. Type of appointment (*please tick the relevant box*):

|                 |  |
|-----------------|--|
| New appointment |  |
| Reappointment   |  |

- i. If you are nominated for reappointment in the same regulated entity after serving two consecutive terms, have you completed a cooling period of one year? Yes\_\_\_\_\_ No\_\_\_\_\_ NA\_\_\_\_\_
- ii. If you have previously served as a Board Director in another regulated entity, have you completed a cooling period of six months? Yes\_\_\_\_\_ No\_\_\_\_\_ NA\_\_\_\_\_

8. Are you currently serving as Board Director in another regulated entity of the Authority /other companies Yes\_\_\_\_\_ No\_\_\_\_\_

If you have selected *Yes* above, please list the entity/company:

- i. ....
- ii.....
- iii .....

9. Are you an employee of another regulated entity of the Authority? Yes\_\_\_\_\_ No\_\_\_\_\_

10. Is any family member a related party as defined in Prudential Regulations to the regulated entity concerned? Yes\_\_\_\_\_ No\_\_\_\_\_

11. Is there any family member or your associate (partner, employee, director) on the Board of the regulated entity where you are nominated? Yes\_\_\_\_\_ No\_\_\_\_\_

12. Are you employed in any professional capacity, or have business connections with the concerned regulated entity? Yes\_\_\_\_\_ No\_\_\_\_\_

13. Do you have NPL for the past one year? Yes \_\_\_ No \_\_\_ (please attached a copy of the CIB report)

14. Have you been convicted in the court of law for a criminal offence or had issues with ethical conduct in the past? Yes \_\_\_ No \_\_\_ (please attached a copy of security clearance)

**15. Confirmation of independence (to be completed only by an applicant nominated as an independent director)**

i. Do you own shares exceeding 2% of the total shareholding in the regulated entity concerned? Yes \_\_\_ No \_\_\_

ii. Does your spouse own shares exceeding 2% of the total shareholding in the regulated entity concerned? Yes \_\_\_ No \_\_\_

iii. Do you have a loan exceeding 1% of the capital fund in the regulated entity concerned? Yes \_\_\_ No \_\_\_

iv. Are you employed by a company that has a shareholding in that regulated entity or vice versa? Yes \_\_\_ No \_\_\_

v. Are you employed by the regulated entity concerned? Yes \_\_\_ No \_\_\_

vi. Do you have members of your family in the senior management position in the regulated entity concerned? Yes \_\_\_ No \_\_\_

vii. Are you affiliated with a significant customer or supplier of the regulated entity concerned or related parties? Yes \_\_\_ No \_\_\_

viii. Are you affiliated with a non-profit organization that receives significant funding from the regulated entity concerned? Yes \_\_\_ No \_\_\_

ix. Have you previously served as an independent director of the regulated entity concerned? Yes \_\_\_ No \_\_\_

**16. Declaration of business interests (to be completed by all nominees)**

Please provide the list of business interests that you have.

i. ....

ii. ....

iii .....

16.1 Does the candidate's business interests give rise to a conflict of interest? Yes\_\_\_ No\_\_\_

**17. Declaration of Honesty, Integrity and Reputation**

- i. Have you been refused the right or restricted in its or his right to carry on any trade, business or profession for which a specific license registration or other authorization is required by law in any jurisdiction? Yes\_\_\_ No\_\_\_
- ii. Have you been issued a prohibition order under any Act administered by the Authority or has been prohibited from operating in any jurisdiction by any financial services regulatory authority? Yes\_\_\_ No\_\_\_
- iii. Have you been censured, disciplined, suspended or refused membership or registration by the Authority, any other regulatory authority, an operator of a market or clearing facility, any professional body or government agency, whether in Bhutan or elsewhere? Yes\_\_\_ No\_\_\_
- iv. Have you been the subject of any complaint made reasonably and in good faith, in the determination of the Authority, relating to activities that are regulated by authority or under any law in any jurisdiction? Yes\_\_\_ No\_\_\_
- v. Have you been the subject of any proceedings of a disciplinary or criminal nature or have been notified of any potential proceedings or of any investigation which might lead to those proceedings, under any law in any jurisdiction? Yes\_\_\_ No\_\_\_
- vi. Have you been convicted of any offence, or are being subject to any pending proceedings which may lead to such a conviction, under any law in any jurisdiction? Yes\_\_\_ No\_\_\_
- vii. Have you had any judgment associated with a finding of fraud, or misrepresentation dishonesty entered against the relevant person in any civil proceedings or is a party to any pending proceedings which may lead to such a judgment, under any law in any jurisdiction? Yes\_\_\_ No\_\_\_
- viii. Have you accepted civil liability for fraud or misrepresentation under any law in any jurisdiction? Yes\_\_\_ No\_\_\_
- ix. Have you had any civil penalty enforcement action taken against it or him by Authority or any other regulatory authority under any law in any jurisdiction? Yes\_\_\_ No\_\_\_
- x. Have you contravened or abetted another person in breach of any laws or regulations whether in Bhutan or elsewhere? Yes\_\_\_ No\_\_\_
- xi. Have you been the subject of any investigations or disciplinary proceedings or been issued a warning or reprimand by the Authority, any other regulatory authority, an operator of a market

or clearing facility, any professional body or government agency, whether in Bhutan or elsewhere? Yes\_\_\_\_ No\_\_\_\_

- xii. Have you demonstrated an unwillingness to comply with any legal or regulatory requirement or to uphold any professional standard, whether in Bhutan or elsewhere? Yes\_\_\_\_ No\_\_\_\_
- xiii. Have you been untruthful or provided false or misleading information to Authority or been uncooperative in any dealings with the Authority or any other regulatory authority in any jurisdiction? Yes\_\_\_\_No\_\_\_\_
- xiv. Are you or have you been a director, partner, significant owner or concerned in the management of a business that has been censured, disciplined, prosecuted or convicted of a criminal offence, or been the subject of any disciplinary or criminal investigation or proceeding, in Bhutan or elsewhere, in relation to any matter that took place while the person was a director, partner, significant owner or concerned in the management of the business? Yes\_\_\_\_ No\_\_\_\_
- xv. Are you or have you been a director, partner, significant owner or concerned in the management of a business that has been suspended or refused membership or registration by the Authority, any other regulatory authority, an operator of a market or clearing facility, any government agency, whether in Bhutan or elsewhere? Yes\_\_\_\_ No\_\_\_\_
- xvi. Have you been a director, partner, significant owner or concerned in the management of a business that has gone into insolvency, liquidation or administration during the period when, or within a period of one year after, the candidate was a director, partner, significant owner or concerned in the management of the business, whether in Bhutan or elsewhere? Yes\_\_\_\_ No\_\_\_\_
- xvii. Have you been dismissed or asked to resign from (i) office ;( ii) employment ;( iii) a position of trust; or, (iv) a fiduciary appointment or similar position, whether in Bhutan or elsewhere? Yes\_\_\_\_ No\_\_\_\_
- xviii. Have you been disqualified from acting as a director or disqualified from acting in a managerial capacity whether in Bhutan or elsewhere? Yes\_\_\_\_ No\_\_\_\_
- xix. Have you been an officer found liable for an offence committed by a body corporate because of the offence having proved to have been committed with the consent or connivance of, or neglect attributable to, the officer, whether in Bhutan or elsewhere? Yes\_\_\_\_ No\_\_

## DECLARATION

I hereby declare and certify:

1. That the information given in this form is true, correct and complete to the best of my knowledge, ability and belief.
2. That I am cognizant it is an offence under Section 138 of the Financial Services Act of Bhutan 2011 to provide false or misleading information to the Royal Monetary Authority of Bhutan.
3. **That I shall be liable for removal as the Board Director and shall be liable for other actions by the Royal Monetary Authority of Bhutan if I have concealed material information during the declaration.**
4. That I undertake that as long as I continue to be a Director, I shall notify the Royal Monetary Authority of Bhutan of any material change in the information.
5. That I pledge that as long as I continue to be a Director of the regulated entity, I shall not violate any by-laws and laws of the country.

Signed .....

*(Affix legal Stamp)*

Name .....

Date .....

**ANNEXURE 3. FORM 2-FIT AND PROPER DECLARATION FORM FOR CEO**

The purpose of the Fit and Proper Test is to determine whether the candidate would be fit for appointment as the CEO of the regulated entity. Upon assessment of the candidate as fit and proper by the regulated entity, the Authority shall review and vet the assessment and issue **No Objection Letter only if the proposed candidate is found fit and proper.** The No Objection Letter implies that the Authority has no objection to the appointment of the candidate and shall not mean that the Authority approves the appointment.

The candidate shortlisted for the post of CEO of a regulated entity shall complete the following information:

**Name of the Regulated Entity:**.....

**1. Type of appointment of CEO** (please tick the relevant box)

|                 |  |
|-----------------|--|
| New appointment |  |
| Reappointment   |  |

**2. Personal Details**

Name: \_\_\_\_\_

Date of Birth: \_\_\_\_\_

CID No./Passport no. (Non-Bhutanese) \_\_\_\_\_

Present Address: \_\_\_\_\_

Contacts: Mobile No. \_\_\_\_\_

Email: \_\_\_\_\_

Details of spouse (if married), children and other dependents:

| Name | Relationship | CID No. | DoB |
|------|--------------|---------|-----|
|      |              |         |     |
|      |              |         |     |
|      |              |         |     |
|      |              |         |     |

Please add rows as required

**3. Employment History**

| Organization/ Business (start from the most recent employment) | Position held | From | To |
|--|---------------|------|----|
|  |               |      |    |
|  |               |      |    |
|  |               |      |    |
|  |               |      |    |
|  |               |      |    |
| Please add rows as required                                    |               |      |    |

**4. Education**

| University/Institute        | Major field of study | Degree/Certificate | Year of completion |
|-----------------------------|----------------------|--------------------|--------------------|
|                             |                      |                    |                    |
|                             |                      |                    |                    |
|                             |                      |                    |                    |
| Please add rows as required |                      |                    |                    |

5. Are you a **significant owner** of the regulated entity concerned? The significant owner is defined in the Financial Services Act of Bhutan 2011. Yes\_\_\_\_\_ No\_\_\_\_\_
6. Have you served as the Board Director in the regulated entity concerned? Yes\_\_\_\_\_ No\_\_\_\_\_
7. If you have selected *Yes* above, have you completed a cooling period of six months? Yes\_\_\_\_\_ No\_\_\_\_\_
8. Do you have NPL for the past one year? Yes\_\_\_\_\_ No\_\_\_\_\_ (please attach a copy of CIB report)
9. Have you been convicted in the court of law for a criminal offence or had issues with ethical conduct in the past? Yes\_\_\_\_\_ No\_\_\_\_\_ (Please attach a copy of security clearance)

**10. Declaration of business interests.**

10.1 Please provide the list of business interests that you have.

i. ....

ii.....

iii .....

10.2 Does the candidate's business interests give rise to a conflict of interest? Yes\_\_\_ No\_\_\_

**11. Declaration of Honesty, Integrity and Reputation**

- i. Have you been refused the right or restricted in its or his right to carry on any trade, business or profession for which a specific license registration or other authorization is required by law in any jurisdiction? Yes\_\_\_ No\_\_\_
- ii. Have you been issued a prohibition order under any Act administered by the Authority or has been prohibited from operating in any jurisdiction by any financial services regulatory authority? Yes\_\_\_ No\_\_\_
- iii. Have you been censured, disciplined, suspended or refused membership or registration by the Authority, any other regulatory authority, an operator of a market or clearing facility, any professional body or government agency, whether in Bhutan or elsewhere? Yes\_\_\_ No\_\_\_
- iv. Have you been the subject of any complaint made reasonably and in good faith, in the determination of the Authority, relating to activities that are regulated by authority or under any law in any jurisdiction? Yes\_\_\_ No\_\_\_
- v. Have you been the subject of any proceedings of a disciplinary or criminal nature or has been notified of any potential proceedings or of any investigation which might lead to those proceedings, under any law in any jurisdiction? Yes\_\_\_ No\_\_\_
- vi. Have you been convicted of any offence, or is being subject to any pending proceedings which may lead to such a conviction, under any law in any jurisdiction? Yes\_\_\_ No\_\_\_
- vii. Have you had any judgment associated with a finding of fraud, or misrepresentation dishonesty entered against the relevant person in any civil proceedings or is a party to any pending proceedings which may lead to such a judgment, under any law in any jurisdiction? Yes\_\_\_ No\_\_\_
- viii. Have you accepted civil liability for fraud or misrepresentation under any law in any jurisdiction? Yes\_\_\_ No\_\_\_
- ix. Have you had any civil penalty enforcement action taken against it or him by Authority or any other regulatory authority under any law in any jurisdiction? Yes\_\_\_No\_\_\_
- x. Have you contravened or abetted another person in breach of any laws or regulations whether in Bhutan or elsewhere? Yes\_\_\_ No\_\_\_

- xi. Have you been the subject of any investigations or disciplinary proceedings or been issued a warning or reprimand by the Authority, any other regulatory authority, an operator of a market or clearing facility, any professional body or government agency, whether in Bhutan or elsewhere? Yes\_\_\_\_ No\_\_\_\_
- xii. Have you demonstrated an unwillingness to comply with any legal or regulatory requirement or to uphold any professional standard, whether in Bhutan or elsewhere? Yes\_\_\_\_ No\_\_\_\_
- xiii. Have you been untruthful or provided false or misleading information to Authority or been uncooperative in any dealings with the Authority or any other regulatory authority in any jurisdiction? Yes\_\_\_\_No\_\_\_\_
- xiv. Are you or have you been a director, partner, significant owner or concerned in the management of a business that has been censured, disciplined, prosecuted or convicted of a criminal offence, or been the subject of any disciplinary or criminal investigation or proceeding, in Bhutan or elsewhere, in relation to any matter that took place while the person was a director, partner, significant owner or concerned in the management of the business? Yes\_\_\_\_ No\_\_\_\_
- xv. Are you or have you been a director, partner, significant owner or concerned in the management of a business that has been suspended or refused membership or registration by the Authority, any other regulatory authority, an operator of a market or clearing facility, any government agency, whether in Bhutan or elsewhere? Yes\_\_\_\_ No\_\_\_\_
- xvi. Have you been a director, partner, significant owner or concerned in the management of a business that has gone into insolvency, liquidation or administration during the period when, or within a period of one year after, the candidate was a director, partner, significant owner or concerned in the management of the business, whether in Bhutan or elsewhere? Yes\_\_\_\_ No\_\_\_\_
- xvii. Have you been dismissed or asked to resign from (i) office ;( ii) employment ;( iii) a position of trust; or, (iv) a fiduciary appointment or similar position, whether in Bhutan or elsewhere? Yes\_\_\_\_ No\_\_\_\_
- xviii. Have you been disqualified from acting as a director or disqualified from acting in a managerial capacity whether in Bhutan or elsewhere? Yes\_\_\_\_ No\_\_\_\_
- xix. Have you been an officer found liable for an offence committed by a body corporate because of the offence having proved to have been committed with the consent or connivance of, or neglect attributable to, the officer, whether in Bhutan or elsewhere? Yes\_\_\_\_ No\_\_\_\_

**DECLARATION**

I hereby declare and certify:

1. That the information given in this form is true, correct and complete to the best of my knowledge, ability and belief.
2. That I am cognizant it is an offence under Section 138 of the Financial Services Act of Bhutan 2011 to provide false or misleading information to the Royal Monetary Authority of Bhutan.
3. **That I shall be liable for removal as the CEO and shall be liable for other actions by the Royal Monetary Authority of Bhutan if I concealed material information during the declaration.**
4. That I undertake that as long as I continue to be the CEO, I shall notify the Royal Monetary Authority of Bhutan of any material change in the information.
5. That I pledge that as long as I continue to be the CEO of the regulated entity, I shall not violate any by-laws and laws of the country.

Signed .....

*(Affix legal Stamp)*

Name .....

Date .....

**ANNEXURE 4. FORM 3- FIT AND PROPER DECLARATION FORM FOR OTHER KEY RESPONSIBLE PERSONS**

The regulated entity shall conduct fit and proper assessment of key responsible persons for appointment or reappointment of other key responsible persons in the senior management position, heads of control functions (head of internal audit, head of risk management, head of compliance), company secretary and other material risk personnel.

After the person is assessed fit and proper, the, the regulated entity shall apply for *No Objection Letter (NOL)* from the Authority with this Form 3. The regulated entity shall apply for NOL only for the selected/nominated candidate for the key responsible person position. The regulated entity shall submit CIB report, security clearance, and other documents only if the Authority asks during the review of the fit and proper. These documents shall be retained at the regulated entity.

**Name of the Regulated Entity:.....**

**1. Information on the Position Applied For**

|   |  |
|---|--|
| Designation/Position Title of the Key Responsible Person: |  |
| Department/Division/Units                                 |  |
| Type of appointment:                                      | New:   |
|   | Reappointment:   |
|   | Existing: for persons already appointed in the key positions |
|   |  |

**2. Personal Details of the Key Responsible Persons**

Name: \_\_\_\_\_  
 Date of Birth: \_\_\_\_\_  
 CID No./Passport no. (Non-Bhutanese) \_\_\_\_\_  
 Present Address: \_\_\_\_\_  
 Contacts: Mobile No. \_\_\_\_\_  
 Email: \_\_\_\_\_

Details of spouse (if married), children and other dependents:

| Name                        | Relationship | CID No. | DoB |
|-----------------------------|--------------|---------|-----|
|                             |              |         |     |
|                             |              |         |     |
|                             |              |         |     |
| Please add rows as required |              |         |     |

### 3. Employment History

| Organization/ Business (start from the most recent employment) | Position held | From | To |
|--|---------------|------|----|
|  |               |      |    |
|  |               |      |    |
|  |               |      |    |
|  |               |      |    |
|  |               |      |    |
| Please add rows as required                                    |               |      |    |

### 4. Education

| University/Institute        | Major field of study | Degree/Certificate | Year of completion |
|-----------------------------|----------------------|--------------------|--------------------|
|                             |                      |                    |                    |
|                             |                      |                    |                    |
|                             |                      |                    |                    |
| Please add rows as required |                      |                    |                    |

5. Are you a **significant owner** of the regulated entity concerned? The significant owner is defined in the Financial Services Act of Bhutan 2011. Yes\_\_\_\_\_ No\_\_\_\_\_

6. Have you served as the Board Director in the regulated entity concerned? Yes\_\_\_\_\_ No\_\_\_\_\_

- 7. If you have selected *Yes* above, have you completed a cooling period of six months?  
Yes\_\_\_\_\_ No\_\_\_\_\_
- 8. Do you have NPL for the past one year? Yes\_\_\_\_\_ No\_\_\_\_\_ (verify from CIB report)
- 9. Have you been convicted in the court of law for a criminal offence?
- 10. Have you been imposed administrative actions or penalties for breaches of duties in the regulated entity concerned or any other entities/organizations? Yes\_\_\_\_\_ No\_\_\_\_\_ (If *Yes* is selected, get the details of the administrative actions or penalties)

**11. Declaration of business interests.**

11.1 Please provide the list of business interests that you have.

- i. ....
- ii. ....
- iii. ....

11.2 Does your business interests give rise to a conflict of interest? Yes\_\_\_\_\_ No\_\_\_\_\_

**12. Declaration of Honesty, Integrity and Reputation**

- i. Have you been refused the right or restricted in its or his right to carry on any trade, business or profession for which a specific license registration or other authorization is required by law in any jurisdiction? Yes\_\_\_\_\_ No\_\_\_\_\_
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- xviii. Have you been disqualified from acting as a director or disqualified from acting in a managerial capacity whether in Bhutan or elsewhere? Yes\_\_\_\_ No\_\_\_\_
- xix. Have you been an officer found liable for an offence committed by a body corporate because of the offence having proved to have been committed with the consent or connivance of, or neglect attributable to, the officer, whether in Bhutan or elsewhere? Yes\_\_\_\_ No\_\_\_\_

## DECLARATION

I hereby declare and certify:

1. That the information given in this form is true, correct and complete to the best of my knowledge, ability and belief.
2. That I am cognizant it is an offence under Section 138 of the Financial Services Act of Bhutan 2011 to provide false or misleading information to the Royal Monetary Authority of Bhutan.
3. **That I shall be liable for removal from the designated key responsible position and shall be liable for other actions by the Royal Monetary Authority of Bhutan if I concealed material information during the declaration.**
4. That I undertake that as long as I continue to be in the designated key position, I shall notify the Royal Monetary Authority of Bhutan of any material change in the information.
5. That I pledge that as long as I continue to be in the designated key responsible position of the regulated entity, I shall not violate any by-laws and laws of the country.

Signed .....

*(Affix legal Stamp)*

Name .....

Date .....

### **Editions of Fit and Proper Guidelines**

1<sup>st</sup> Edition: Guidelines for Fit and Proper Assessment of Board Directors and CEOs of Regulated Entities, January 2022.

2<sup>nd</sup> Edition: Fit and Proper Guidelines for Key Responsible Persons of Regulated Entities, July 2022, Amended some sections and circulated to the FSPs on 28<sup>th</sup> October 2022