China CITIC Bank, London Branch

DELEGATION OF AUTHORITY FRAMEWORK

2020

Document Control

|  |  |  |  |
| --- | --- | --- | --- |
| **Owner** | President | **Status** | Draft |
| **Version** | 2.0 | **Approved by** | ARCo |
| **Approval Date** |  | **Next Review Date** | September 2021 |

**Version Control**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Version** | **Author** | **Approval** | **Date** | **Key Changes** |
| 1.0 | G Lowe | ManCo | 3/5/2019 | Draft for review |
| 1.1 | G Lowe | ManCo | 5/7/2019 | ManCo approved |
| 2.0 | G. Lowe | ARCo |  | Changes presented are:   1. Remove letter, replace CRO e-mail 2. Add Responsibility, 3. Add Monitoring & reporting |

**Contents**

[**1. Framework Overview** 4](#_Toc54363089)

[**2. Objective** 4](#_Toc54363090)

[**3. General Principles** 5](#_Toc54363091)

[**3. Methodology** 5](#_Toc54363092)

[**i.** **Branch Delegation of Authority** 5](#_Toc54363093)

[**ii.** **Financial Markets Delegation of Authority** 7](#_Toc54363094)

[**iii.** **Compliance AML Delegation of Authority** 8](#_Toc54363095)

[**4. Framework ownership/review** 9](#_Toc54363096)

[**5. Responsibility** 9](#_Toc54363097)

[**5. Monitoring & Reporting** 10](#_Toc54363098)

[**APPENDIX A – Branch Delegated Authority Matrix** 11](#_Toc54363099)

[**APPENDIX B – Financial Markets Delegated Authority Matrix** 12](#_Toc54363100)

[**APPENDIX C – AML Delegated Authority Matrix** 13](#_Toc54363101)

[**APPENDIX D – President/ CRO Delegated Authority approval (Example of e-mail)** 14](#_Toc54363102)

# **1. Framework Overview**

This document outlines the framework of the delegated authority and power of attorney granted to the President of China CITIC Bank, London Branch (“the Branch” or “CNCBLB”) dated  ***12/1/2020*** which delegates both operational capacity and risk limits to the CNCBLB President for the operations and management of the Branch.

In accordance with the 2020 Authorisation Letter, the CNCBLB President may transfer authorisation within the scope of his authorisation. This framework sets out the CNCBLB President’s delegation of authority to senior management of the Branch to effectively manage the business of the Branch.

These authority limits are detailed in ***the Appendices*** will be conveyed by the Chief Risk Officer (“CRO”) on behalf of the President, to each individual by way of e-mail (example in **APPENDIX D**).

# **2. Objective**

Delegated authority levels should enable decision making powers throughout the Branch to facilitate effective management of CNCBLB’s business. Authorisation limits and the delegation of authority within the Branch ensures business continuity and develops good business practice and corporate governance by:

1. Providing a ‘Delegated Authority Matrix’ that reflects authority limits that are appropriate to operating the Branch and empowering management to be able to act effectively and make key decisions in relation to the Branches business requirements; and
2. Providing authority for entering into contracts, commitments and appropriating company assets in the course of conducting Branch business.

This document serves as a single point of reference for the CNCBLB’s authority limits.

All staff members are expected to understand their authorisation limits, as well as those of their direct reports, along with related policies, and to exercise a duty of care with respect to decisions made and commitments and contracts entered into on behalf of the Branch.

# **3. General Principles**

The following general principles will apply to these procedures:

* Delegated Authorities are attached to the position occupied and not to the occupant of the position;
* The Delegation of Authorities will be reviewed at least annually or at the request of the President and will be synchronised with the annually review of the Head Office delegation of authority to the CNCBLB President;
* An individual may not act as if they had authority where they have no authority or where a transaction exceeds the individual’s level of authority;
* Where an individual’s authority limit is exceeded by a single transaction, escalation to the next level must occur. In certain circumstances, such as large and/or unusual transactions, proper execution may require the approval of more than one officer;
* No sub-delegation of authority is allowed without written authority from the President; and
* Where any doubt as to conflict of interest exists, authority for approval of the transaction should be escalated to the President.

# **3. Methodology**

The Delegation of Authority within CNCBLB will be presented in the ‘Delegated Authority Matrix’ which has been developed using the following methodology:

## **Branch Delegation of Authority**

***Delegation of Authority by Process***

As per the Presidents Delegated Authority dated 12/1/2020, this framework defines the processes within the Branch where the CNCBLB’s President may grant authority to the senior management of the Branch. The following processes are considered under the ‘Delegated Authority Matrix’ ***(See APPENDIX A)***:

* Branch Operational Capacity
* Financial Objectives
* Credit Authority
* Financial Markets Authority
* Daily Branch Operations

The following processes are reserved for the CNCBLB President:

* The right to delegate authority granted under the HO Authorisation Letter;
* Primary contact with UK Regulators;
* Final sign-off of any employment/dismissal of CNCBLB staff;
* Final sign-off for CNCB expat staff joining CNCBLB;
* Any capital expenditure up to USD 150,000;
* Operational expenses up to USD 150,000;
* Business expenses above USD 500
* Fixed Asset disposal up to USD 100,000; and
* On-boarding customers.

**Categories of Delegated Authority**

|  |  |  |
| --- | --- | --- |
|  | **Description** | **Details** |
| 1 | Full Authority / Veto Rights | Full authority to contractually commit CNCB and/or CNCBLB  Rights to veto decisions |
| 2 | Full Authority (Absence of President) | In the absence of the CNCBLB President (business or holiday) the full authority to contractually commit CNCB and/or CNCBLB is temporarily transferred.  No veto rights transferred |
| 3 | Full Authority (Position) | Under the SMCR and internal policies, certain positions hold delegated authority to act independently in order to fulfil responsibilities or execute business. |
| 4 | A signatory | As approved by ManCo under the CNCBLB’s authorised signatories |
| 5 | B signatory | As approved by ManCo under the CNCBLB’s authorised signatories |

## **Financial Markets Delegation of Authority**

***Delegation of Authority by Process***

As per the HO Financial Markets DOA dated 24/2/2020, this framework defines the processes within the Branch where CNCBLB’s President may grant authority to the senior management of the Branch. The HO Financial Markets grants London Branch Financial Markets granular limits within the HO Presidents overall DOA. HO Financial Markets provide authorities under the following ‘Permitted Business’:

* Trading
* Investment
* Treasury

The ‘Delegated Authority Matrix’ ***(See APPENDIX B)*** reflects authorities of the President, Vice-President, Head of Financial Markets and Financial Market traders.

**Categories of Delegated Authority**

|  |  |  |
| --- | --- | --- |
|  | **Description** | **Details** |
| 1 | Full Authority (HO) | Full authority granted by HO to contractually commit CNCB and/or CNCBLB to transactions in the Financial Markets  Rights to veto decisions |
| 2 | Full Authority (Business) | Responsible for all Business within the London Branch.  Delegated authority below HO authority |
| 3 | Trade Execution | Delegated Authority to contractually commit London branch to financial market transactions within agreed limits. |
| 4 | US$ Approved Amounts | HO Financial Market product limits for London Branch  Granular limits set to ensure London Branch remain within overall HO President limits |

## **Compliance AML Delegation of Authority**

***Delegation of Authority by Process***

As per the 2020 HO approval of the London Branches Anti-Money Laundering program (“AML Program”), this framework defines the processes within the Branch where CNCBLB’s President may grant authority to the senior management of the Branch. The AML program considers the following Compliance aspects under the ‘Delegated Authority Matrix’:

* Governance
* Human Resources
* Policies and Procedures
* Clients and Counterparties
* Products and Business

The ‘Delegated Authority Matrix’ ***(See APPENDIX C)*** reflects authorities of the President, Vice-President, Chief Compliance Officer/Compliance Department, Chief Risk Officer/Risk Department, HR and Administration, Business Development, Financial Markets and Operations.

**Categories of Delegated Authority**

|  |  |  |
| --- | --- | --- |
|  | **Description** | **Details** |
| 1 | Reviewing and Approving | Full authority to approve AML policies and procedures with rights to veto decisions |
| 2 | Assisting in reviewing and approving | Authority to set policy and procedures; and implement AML controls |
| 3 | Review (Level 2) | Authority to challenge and provide guidance for all Compliance aspects |
| 4 | Review (Level 1) | Authority to challenge or provide guidance from specific business perspective |

# **4. Framework ownership/review**

The Chief Risk Officer will act as custodian for the delegated authority framework and will maintain up-to-date records of any changes. The DOA framework has been developed and will be maintained using the following documents:

1. CNCB Branch Delegated Authority Owner : Branch President
2. CNCB Financial Markets Delegated Authority Owner : Branch Vice-President
3. CNCB Anti-Money Laundering Program Owner : Chief Compliance Officer

The final approval and review of the delegated authority framework will be the responsibility of ManCo. The Chief Risk Officer will collate all changes to delegated authority for the Branch, Financial Markets and Compliance, and will be responsible for informing all parties of changes to the Delegation of Authorities.

# **5. Responsibility**

Notwithstanding the authorities set out in any Bank DOA, all employees are at all times individually responsible for their obligations under the UK law, including but not limited to the obligation to report suspicion of money laundering and to fulfil procedural due diligence measures. Under the President’s authority to sub-delegate his authority to a direct report, it is the responsibility of that individual to ensure he/she remains within that approved delegated authority.

Temporary transfer of delegation

Any sub-delegation of an individuals approved authority, for example deputise during holiday or business travel, does not absolve or release the authorised person of their responsibility. The temporary transfer or sub-delegation must be formalised by:

1. Formal e-mail to recipient and other relevant parties detailing the transfer, any requirements and time frame of the transfer; and on return
2. The recipient must provide the giver a full report of any use of that delegated authority. This will allow the owner to review and discuss any concerns or requirements.

# **5. Monitoring & Reporting**

All breaches of any delegated authority must be immediately reported to the CRO and President. A formal notification will be submitted to ManCo with a full explanation of the breach.

The Chief Risk Officer and Operational Risk management have put in place monitoring requirements that require all persons that have delegated authority to report any breach. These reporting requirement will include the following:-

1. At least annually, the individual will be need to acknowledgment of the approved delegated authority outlined in the CRO email;
2. Half-yearly, all department heads are required to ensure that any procurement from third party (Outsourcing Review) followed the approval process and is within the agreed budget and approval authority;
3. Quarterly, all department Heads will review the authority granted to any user in the business systems and confirm to the Head of IT and CRO that these are consistent with the authority limits required to fulfil that users job and are within the approved DOA;
4. Monthly confirmation to Operational Risk that no breaches have occurred. Ops Risk may conduct the reviews to ensure compliance, for example this could include :-

* Operations - periodic sample review of the payments processed to ensure that approval authorities have been obtained in accordance with Authorized Signatures Policy and Mandate;
* Finance - periodic sample to make sure all expense imbursements are within budget and have the correct approval before processing;
* Financial Market - review sample transactions executed by each trader to make sure no transaction was done exceeding the limit and delegated authority;
* Credit risk approval – review sample of CCo minutes to ensure exposures remain within the approved credit limits and HO delegated authority limits;

1. Monthly key risk indicators to monitor compliance with the approved delegated authorities and overall corporate governance of CNCBLB. It will the responsibility of the Corporate Office to provide Operational Risk Department with the following information:

|  |  |  |
| --- | --- | --- |
| KRI name | KRI description | Frequency |
| DOA Compliance | Any breach of Branch HO delegated | Monthly |
| DOA Compliance | Any breach of Financial Markets HO delegated authority | Monthly |
| DOA Compliance | Any breach of AML/KYC HO delegated authority | Monthly |

# **APPENDIX A – Branch Delegated Authority Matrix**



# **APPENDIX B – Financial Markets Delegated Authority Matrix**



# **APPENDIX C – AML Delegated Authority Matrix**



# **APPENDIX D – President/ CRO Delegated Authority approval (Example of e-mail)**

Dear ………………………

**AUTHORISATION of SUB-DELEGATION**

In your position of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, and in addition to your regulatory responsibilities and in terms of the Letter of Authority granted to me by Head Office; I am advising you of the sub-delegating granted to you by the President or through HO specific DOA’s. The authorities outlined in **Schedule A**, which is attached.

This sub-delegations specified above apply until:

1. they are formally withdrawn in writing, or;
2. you cease to be in the above position.

Notwithstanding the authorities set out in the DOA, all employees are at all times individually responsible for their obligations under the UK law, including but not limited to the obligation to report suspicion of money laundering and to fulfil procedural due diligence measures. You are responsible for remaining within the delegated authority granted to you and need to advise the President immediately if any breach should occur, this must be accompanied with a detailed explanation on the reason, corrective action and preventative again taken.

Delegated Authority will be up dated from time to time and it is your responsibility to ensure that you operate within the latest version. The Chief Risk Officer will advise you when updating has occurred.

**Schedule A (EXAMPLE)**

CHIEF RISK OFFICER

