

Rules of engagement of Convergence staff with market participants

In engaging market participants, Convergence staff will have to observe the same governing principles as when engaging country authorities, and most notably the principles of independence, honest broker, integrity, and objectivity. However, there is a marked difference between the engagements of the two categories: while Convergence staff are not allowed to belong to the structures of the authorities of their countries of operations, they **are** market participants, at least insofar as they are individual consumers of bank products and services. In fact, it would hardly be conceivable for Convergence to use staff who has never had the experience of utilising the services of a bank.

Good knowledge of banking may come through various channels, but direct experience in working in banks, as well as maintaining close contacts with banking activities to remain updated is a major advantage. Therefore, Convergence should strive to employ people with extensive bank experience. Also, Convergence should not reject people who detain non-executive positions in banks or bank associations, such as board members. A similar approach will be taken in respect of non-executive positions in other forms of consumer associations.

To maintain full independence and objectivity of its activities, even when employing staff connected with market participants, the following rules will be employed:

- no direct instructions will be accepted by Convergence staff from any market participant
- any connection of staff employed by Convergence with market participants, apart from the normal relationship as client of one or several banks, should be fully disclosed, so that any third party may judge about the way in which this connection may have influenced the way in which the work has been performed
- the work of Convergence staff connected with market participants shall be reviewed for potential conflicts of interest by the senior country advisors
- finally, the senior country advisors will not work in the countries in which they are residents

One major aspect in dealing with market participants, and in particular banks, is the confidentiality of information. Credit institutions may be reluctant, or even unwilling, to supply information while there is no guarantee that it will not be leaked to their competitors. On the other hand, position papers produced by Convergence will be highly dependent on the quantity and quality of information supplied by banks, which means that confidence must be built between banks and the Convergence. With this view, the contracts signed between Convergence and its staff will contain clauses to fully guarantee that confidentiality of information will be protected.

Market participants represent one of the major sources of information for the Convergence as far as issues identification is concerned. Therefore, establishing mutual confidence and good cooperation between Convergence staff and market participants in the countries of operation is essential to enable Convergence to focus on those issues which may bring the most significant benefits to market development. To achieve this, the Convergence staff should help, either as an explicit part of their assignments or in the contacts they establish, to disseminate ideas about best practices in organising strong banking and consumer associations.

Outreach is essential when addressing private market participants. It is important to engage proactively with individuals, organizations and trade associations, however some private sector stakeholders, such as small banks/leasing, insurance companies, consumers, may be particularly difficult to reach. Communication may be therefore multifaceted in the form of meetings, public surveys, written forms, regional events, promotional materials, etc. In dealing with this category of constituencies, convergence staff should ensure that the interaction is clear,

crisp and widely accessible.

To empower the financial industry representatives and associations and give them the feeling that their views matter and can positively influence government's decisions, Convergence staff should encourage market participants to suggest alternatives during the process of consultations with the authorities. Emphasis in discussions with market players should be placed on conducting a Regulatory Impact Assessment (RIA) for every proposal, highlighting, where required, the costs, benefits and risks of the proposal. In this respect, the associations may call upon the assistance of Convergence experts.

The facilitation of the entire process of public and private sector dialogue is very dynamic and has to be reviewed periodically to ensure that stakeholders still have confidence in the process. Convergence staff, not only has to solicit views and suggestions of market participants, but also monitor and review decisions of the consultative mechanism and perform time and again evaluations of respective decisions and actions.

Given a certain number of private sector constituencies and interests, the participatory level of the private sector should be clearly defined by Convergence team. The latter will have to identify proactively for every specific policy issue relevant interested parties and those whom the policy will be likely to affect. A full list of existing and functioning organizations and banks, companies operating in the sector should be made available by the local Convergence staff. These market players should be contacted and engaged in the policy development process as early as possible. The private sector stakeholders, however, should find "common positions" on issues and should not promote their individual interests at the expense of others.

To ensure a maximum of benefit when consulting with private sector stakeholders, the following rules should be observed:

- Select private sector entities and business associations that are credible, respectable by the authorities and business community, properly organized and fully legitimate;
- Select business and consumer organizations that represent not the narrow, but the broad interests of a diverse range of the industry and not discriminate against the small or foreign banks/companies or associations;
- Invite for discussions only organizations that are genuinely interested in the resolution of a specific issue, where their leadership represents the majority of member's interest.

Finally, market participants are expected beneficiaries of the Convergence activities. Therefore, conveying to them information about what Convergence is, what it has done and what it can do for them should be a priority for all staff members.