



Brussels, 2 April 2019  
FINAL

## **EACB comments on Guidelines 1/2019 on Codes of Conduct and Monitoring Bodies under Regulation 2016/679 adopted on 12 February 2019**

The **European Association of Co-operative Banks** ([EACB](http://www.eacb.coop)) represents, promotes and defends the common interests of its 27 member institutions and of cooperative banks, with regard to banking as well as to co-operative legislation. Founded in 1970, today the EACB is a leading professional lobbying association in the European banking industry. Co-operative banks play a major role in the financial and economic system. They contribute widely to stability thanks to their anti-cyclical behaviour, they are driver of local and social growth with 2.914 locally operating banks and 53,000 outlets, they serve 209 million customers, mainly consumers, SMEs and communities. Europe's co-operative banks represent 81 million members and 719,000 employees and have an average market share in Europe of about 20%.

For further details, please visit [www.eacb.coop](http://www.eacb.coop)

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**The voice of 2.914 local and retail banks, 81 million members, 209 million customers in EU**

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## Comment on the Guidelines on Codes of Conduct and Monitoring Bodies

The European Association of Co-operative Banks (EACB) welcomes the opportunity to provide the European Data Protection Board (EDPB) with its comments on the draft Guidelines on Codes of Conduct and Monitoring Bodies under the General Data Protection Regulation (GDPR) adopted in February this year.

We would like to put forward a specific comment relating to section 12 of the draft Guidelines (i.e. 'Accreditation requirements for monitoring bodies', page 20).

The EACB would welcome it if the final Guidelines included an example related to the role of compliance and internal audit departments.

Generally speaking and as banks use the 'Three Lines of Defence' model, they have already functions that are independent from other areas and business lines of the organisation. Traditionally, these functions consist of risk management and compliance functions (the second line of defence) as well as internal audit function (the third line of defence). Often the second line of defence is, on the other hand, responsible for risk-based audit planning as well as for assessing the status of internal control and risk management. For a more detailed explanation click on the following link: <https://na.theiia.org/standards-guidance/Public%20Documents/PP%20The%20Three%20Lines%20of%20Defense%20in%20Effective%20Risk%20Management%20and%20Control.pdf>.

EACB members believe that in the case when an internal monitoring body is proposed, banks should be able to make use of their existing 'Three Lines of Defence' model, or part of it, as 'monitoring body' required in the GDPR.

As a concrete example, if a group of independent banks created a code in order to comply with the GDPR requirements, each of them could use its own compliance or internal audit departments, or a combination of them, as a 'monitoring body'. In practice, this would mean that several independent monitoring bodies (i.e. compliance/internal audit departments) could monitor the same code, without using an external monitoring body.

As banks already use the well-established 'Three Lines of Defence' approach, it would add little benefit in terms of independence and expertise if banks had to appoint completely new staff/department or external counsel to monitor their common code as opposed to existing risk management and control functions.

It is our understating that this possibility is sufficient to fulfil the requirement of 'separate staff and management, accountability and function from other areas of the organisation' and would welcome a reference to this example in the final Guidelines.

### **Contact:**

The EACB trusts that its comments will be taken into account.

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