



FSI Submission to Central Bank of Ireland's Consultation Paper 136

May 2021



FSI Submission to the Central Bank of Ireland's Consultation Paper 136 'Enhancing our Engagement with Stakeholders'

Introduction

Financial Services Ireland (FSI) welcomes the opportunity to contribute to the Central Bank of Ireland's consultation on enhancing engagement with stakeholders. This is an important initiative from the Central Bank. It offers an opportunity to cooperate on key topics for the Central Bank, industry, clients and consumers. Enhanced engagement will also support the Central Bank's mission that the financial system operates in the best interests of consumers and the wider economy.

Focusing on Proposal 2 of CP 136 - the development of an industry forum - FSI makes the following recommendations that we believe will help achieve constructive engagement with industry. Such a cross-sectoral mechanism reflects established international best-practice and is an appropriate response to Action 2 of the 2019 *Ireland for Finance* strategy. FSI looks forward to working with the Central Bank on these recommendations and next steps.

Response to CP 136, Proposal 2: Industry Engagement

Frequency of Meetings

FSI welcomes and supports the initiative to establish a structured industry forum. This forum offers the opportunity for meaningful engagement, between representatives of financial services institutions and the Central Bank at a senior level, in pursuit of effective and transparent policy making. The forum will enable important issues to be discussed in a constructive manner to the benefit of all stakeholders, including consumers and clients of financial institutions.

Mutual trust and open discourse are key to facilitating such engagement which can best be developed through regular meetings between industry and Central Bank representatives. In addition, important matters affecting the entire industry can arise quickly, requiring policy discussion at an early stage. The recent COVID-19 pandemic and developments in Brexit are only two examples in the last year alone where the forum could have been of benefit.

For these reasons, the forum should meet with sufficient frequency to allow topics to be discussed, explored and tracked in a collaborative and responsive way. We believe that the forum should meet more regularly than is suggested, and that it would be appropriate to meet four times per year. This frequency would facilitate meaningful dialogue at a strategic level, without being overly burdensome.

Recommendation 1: The industry forum should meet four times per year.

Chair and Participants

Given the strategic focus of the issues that the forum will address, it is essential the forum is chaired by the Governor of the Central Bank, with participation of the Deputy Governors, the Director General (Financial Conduct) and other senior members of management in the Central Bank, alongside industry.

It is important that the forum is not simply a platform for briefing without discussion. The forum can aid the Central Bank in its mission that the financial system operates in the best interests of consumers and the wider economy. As such, we believe that a maximum of 20 industry members is appropriate to allow industry interests to be represented, as well as ensuring that there is time to discuss important topics in depth, giving participants an opportunity to speak.

We agree that the forum's industry members be comprised of relevant industry representative groups of significant scale, where the associations' membership incorporates regulated entities. In addition, we agree that representatives from the industry associations be the Chief Executive or equivalent and one board member from each association. It therefore should not be necessary to add additional seats for regulated firms beyond this scope.

As a 155-member association, representing the full suite of financial services organisations, FSI contends that it should be strongly considered as a member of the proposed forum.

Recommendation 2: Forum to be chaired by the Governor of the Central Bank, with a maximum of 20 appropriate industry participants to maintain a workable and effective structure.

Forum Agenda

To ensure all participants can contribute to forum meetings, the agenda should be agreed with sufficient notice in advance of each meeting. In addition, industry representatives should be encouraged to actively contribute to discussions and have the chance to raise issues.

Inspiration can be drawn from the agenda setting of the Civil Society Roundtable, namely that the agenda be set by the priorities of the attendees. Given the breadth of the Central Bank's mandate, and in order to get the most out of the meetings, consideration should be given to including parallel agenda items if needed for cross-sectoral matters impacting specific sectors or groups of industry participants.

Issues discussed must also be results-oriented. Only topics with the potential to reach a solution should be included on the forum's agenda. It is important that beneficial areas to progress in the first year of engagement be identified. A list of strategic topics that we believe could be discussed over time is included in Annex 1.

Success of the forum should also be measured, in the form of an annual review, highlighting possible improvements to how the forum works. Alongside the annual review, more frequent formal feedback mechanisms could be explored, to allow the forum nimbly implement any changes needed to support its value and effectiveness.

When setting agendas, consideration should be given to inviting appropriate guests to support discussions. This could include senior representatives from Government Departments and State Agencies, such as the IDA and Enterprise Ireland.

As noted above, we are fully supportive of the aims of the industry forum and believe that it can be an appropriate setting to address issues of strategic importance for the Central Bank and industry. To ensure this strategic, cross-industry focus, it is important that any existing engagement with the Central Bank, particularly at a sectoral level, be maintained.

We would recommend, however, that while there is a focus on cross-sectoral issues, sectoral subjects should not be excluded from forum discussions where such issues could have a systemic or precedence-setting impact on the wider financial services ecosystem. This also applies to specific groups of sectors, or entities within specific sectors, with common characteristics (for example company size, customer profile, geographical presence). There would be a responsibility on industry to appropriately identify which topics meet this threshold.

Recommendation 3: The forum agenda should be results-oriented and set in collaboration with industry, coupled with an annual review and feedback mechanism to support the forum's effectiveness.

Recommendation 4: Invitations to relevant guests should be considered to support agenda items.

Recommendation 5: Focus on cross-sectoral strategic issues but allow scope for discussion on sectoral issues where these can impact the wider financial services ecosystem. Maintain existing sectoral engagements.

About FSI

FSI is the Ibec sector representing the full suite of financial services companies in Ireland. Our 155 members are involved in banking, insurance, fund administration, investment and asset management, corporate treasury, international financial services, aircraft leasing, securitisation and fintech. We represent the views of the full financial services sector.

The association is led by a Board of some of the most senior Irish and European sector executives. FSI's singular objective is that Ireland will be a top 20 global financial centre by 2025. Underpinning FSI's objective are five goals we must achieve, namely that Ireland becomes:

- The strongest business environment and best location to tackle future challenges for the sector;
- A preeminent global location for diversity and culture;
- A global leader for talent and skills in financial services companies;
- The global centre for technology and financial services integration, innovation and leadership;
- A world-class location for sustainable finance.

Annex 1

Topics for Forum Agenda

While not an exhaustive or limiting list, suggested initial agenda topics include:

- CBI policy matters under consideration (including interactions with international/European rules and policies) - early and effective industry input into CBI policy development;
- Digitalisation, technology and innovation;
- Environmental, Social and Governance (ESG);
- Financial stability matters/crisis management;
- Governance and Risk Management;
- Operational Resilience and Outsourcing;
- Financial Crime;
- Regulatory approach to diversity and inclusion;
- The benefits of the sector for clients and customers and, the importance of the sector's engagement with stakeholders;
- Capital allocation rules;
- Cost of regulation;
- Communication to and about the industry, including 'Dear CEO' letters;
- Thematic review and general engagement with regulated firms;
- Authorisations and licensing process;
- Fitness and Probity Framework, including the Pre-approved Control Functions (PCF) process;
- The Individual Accountability Framework, including the Senior Executive Accountability Regime (SEAR);
- The attractiveness of the Irish financial services sector to talent from home and abroad.

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