



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Feedback Statement

Enhanced governance, performance and
accountability in financial services
(CP153)

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Introduction

The Central Bank (Individual Accountability Framework) Act 2023 (the IAF Act) was signed into law on 9 March 2023 after which the Central Bank of Ireland (the Central Bank) launched a three-month consultation period on key aspects of the implementation of the Individual Accountability Framework (IAF), including the publication of draft Regulations¹ and Guidance on the IAF - Consultation Paper 153 – Enhanced governance, performance and accountability in financial services (CP153).

CP153 sought to elicit the views of stakeholders on our proposed approach as set out in the consultation paper, and on the draft Regulations and Guidance on the IAF, which included the following key areas:

- The Senior Executive Accountability Framework (SEAR);
- The Conduct Standards; and
- The enhancements to the current Fitness and Probity (F&P) Regime.²

The closing date for responses was 13 June 2023. During this period, the Central Bank organised and attended a number of stakeholder engagement events, to allow respondents to provide further detail on the written responses submitted, which were very effective in ensuring a clear understanding of the various issues raised.

On many core issues, our proposed approach received strong support from stakeholders. Respondents were broadly supportive of the IAF and the core objectives of achieving better outcomes for consumers and users of financial services and the functioning of the economy. It was broadly agreed that the implementation of the IAF will provide clarity of responsibilities, which will underpin sound governance across the financial sector, enhancing the culture of accountability in firms, and bringing clarity to individuals in respect of the standards of conduct they are expected to meet.

¹ Relating to the Senior Executive Accountability Regime, Certification and Holding Companies

² Amendments to the Administrative Sanctions Procedure (ASP) are subject to a separate [consultation](#), which commenced on 22 June 2023.

Respondents welcomed the clarity provided that the Central Bank's approach to implementing the IAF is based on the principles of proportionality, predictability and reasonable expectations.

We welcome the feedback, which we have carefully reviewed in order to ascertain how we can enhance the proposals as appropriate or provide additional clarity in the Guidance on the IAF. We have done this in a number of areas, as set out within this Feedback Statement to CP153 (the Feedback Statement). In those areas where we felt it was not appropriate to make some of the changes suggested we have provided our rationale as to why not.

We acknowledge that there are both challenges and opportunities for both the Central Bank and firms in implementing the framework. It is important that an appropriate balance is struck by firms and by the Central Bank to ensure successful implementation. A review of the IAF will take place three years after implementation. This three-year review will provide an opportunity to assess the functioning of the framework, how the benefits and costs are being realised in practice, and whether any changes should be introduced. During this period, it will be important to maintain ongoing two-way engagement on the implementation experience.

Our Approach

At its core, financial regulation is about supporting positive outcomes and, ultimately, the economic well-being of the community as a whole. The IAF is designed to support the effective management of firms. The new framework will underpin sound governance across the financial sector. It will achieve this by setting out clearly the good practices expected of well-run firms and responsible role holders. It sets expectations for firms in relation to the clarity and coherence of their governance arrangements, and for individuals carrying out key roles as to the standards of conduct that they are expected to meet.

The IAF has been designed to support high quality leadership and governance of financial firms. It aims to do this by bringing enhanced clarity to the governance of such firms, to the allocation of responsibilities, and to the expectations that apply to those running the firms. Importantly, it seeks to do this in a manner that has proportionality and reasonable expectations embedded at every point.

Our approach to the implementation of the new framework is based on these principles of proportionality, predictability and reasonable expectations. The framework seeks to align with the way that firms have chosen to structure themselves, while ensuring that such structures have appropriate levels of governance and clarity. Proportionality also demands that the application of the framework to smaller, less complex and/or less risky firms reflects that context.

The new framework provides for a range of standards that must be met by firms and individuals. We consider these to be the appropriate standards that should underpin the provision of financial services. We also believe they are the standards to which most firms and individuals already hold themselves. Throughout, the concept of reasonable expectations is embedded. This includes, in particular, the principle that where reasonable steps have been taken to achieve an outcome, that will be sufficient to discharge the relevant obligation.

Summary of responses and key changes

A total of 26 responses were received; 12 responses from representative bodies, 11 from industry, 2 from legal firms/bodies and 1 response from an individual.

This Feedback Statement summarises the responses to each of the 18 questions posed in CP153, other general feedback received and the Central Bank's response to the most material and/or consistently raised aspects of the consultation responses.

This Feedback Statement should be read in conjunction with CP153, which can be found on the Central Bank's website [here](#). All 26 consultation responses are available on our website [here](#).

Having carefully considered all the submissions received and further to discussions at the various stakeholder engagement events and taking into account the real practicalities facing firms to successfully implement such a framework, we made changes in a number of key areas as set out hereunder, which we believe will assist firms in the implementation of the framework.

Many other amendments have also been made throughout the draft Regulations and Guidance on the IAF to address technical comments received and for the purpose of providing additional clarity to firms.

(Independent) Non-Executive Directors ((I)NEDs)

We acknowledge the valuable feedback received in relation to the inclusion of (I)NEDs within the SEAR, and understand the concerns identified. Following careful consideration, we remain of the view that excluding (I)NEDs from the framework would do a disservice to the significance of their role in the financial system.

We have, however, decided on a deferral of the introduction of the SEAR for (I)NEDs until 1 July 2025. We consider that this will enable both the Central Bank and regulated firms to learn from the introduction of the new framework to executives in the first instance. In particular, we consider a 12-month learning/implementation period should enable firms to better manage the perceived issues identified in reconciling the collective responsibility of boards with the new individual accountability regime. For clarity, other parts of the IAF including the Common Conduct Standards and Additional Conduct Standards will apply to (I)NEDs as to other Controlled Functions (CFs) and Pre-Approval Controlled Functions (PCFs) respectively from 29 December 2023.

The Application of the SEAR to outgoing branches

We note the feedback received in relation to the application of the SEAR to managers of outgoing branches, and accordingly we are considering whether a materiality threshold could be introduced, such that the SEAR would only apply to managers of outgoing branches when the branch exceeds the threshold.

Given the application of the SEAR to managers of outgoing branches stems from the inclusion of the role within the F&P Regime, the introduction of any such threshold would require an amendment to the PCF Regulations³ (and accordingly would take effect in the application of the F&P Regime, as well as the SEAR, to managers of outgoing branches). Related amendments to the PCF Regulations will be made, and guidance on the practical operation of the threshold will be provided, as appropriate, in the coming weeks.

³ Section 22 of the Central Bank Reform Act 2010 enables the Central Bank to prescribe by regulation PCFs

Inherent and Prescribed Responsibilities

We acknowledge the feedback on the number and scope of Prescribed Responsibilities and the related matters that may arise with allocation of same as a result. Accordingly, we carefully reconsidered the Prescribed Responsibilities taking into account all comments received, and amended the list of Prescribed Responsibilities such that certain Prescribed Responsibilities have been removed and others have been merged or moved from the General list of Prescribed Responsibilities to the Sector or Circumstance Specific list of Prescribed Responsibilities.

In addition, editorial changes have been made to certain Inherent Responsibilities and Prescribed Responsibilities where respondents raised issues with specific wording.

Sharing/Splitting of Roles and Responsibilities

We welcome the feedback from respondents that it could be challenging to implement the baseline proposal that roles or responsibilities cannot be shared or split, except in the case of job-sharing. Taking the feedback into account, we have amended the Guidance on the IAF to provide greater clarity in respect of job-sharing and outlined specific examples whereby the sharing of roles may be permitted in limited circumstances and how that would impact the related responsibilities of such roles.

While these amendments were made to address legitimate concerns of respondents in respect of the practical implementation of the framework, it is important to note that the key premise of the IAF is that the most senior individual should be solely accountable and responsible for the relevant responsibilities.

Certification

We acknowledge the feedback received on the potentially onerous nature of the certification requirement, with respondents identifying logistical, administrative and technological challenges that may be encountered when certifying individuals carrying out CF roles. We also acknowledge that respondents opposed, in particular, the application of the certification requirement to the entire CF population.

We note the importance of the annual certification of compliance with the standards of F&P of individuals carrying out CF roles, however, in order to address the issues raised, and to align with the approach adopted under the F&P Regime, we have amended the Guidance on the IAF to limit the scope of the enhanced due diligence aspect of the certification requirement to PCFs, CF1s and CF2s and to facilitate self-certification in respect of CF3 – CF11.

We consider that this amendment will achieve the Central Bank aim of strengthening the obligation on firms to proactively certify that individuals carrying out CF roles are fit and proper whilst significantly reducing the administrative burden on firms, and mitigating the logistical and technological challenges identified by respondents.

Disciplinary Actions

We acknowledge the strong feedback from respondents which included requests for an extension to the notification timeline to after due process (including allowing for appeals timelines), questions regarding what constitutes disciplinary action taken and to whom it is applicable to, requests for further clarity as to the manner in which breaches are to be reported and queries regarding who is responsible in the business for making such reports.

Firms are expected to play a critical role in embedding the Conduct Standards in its culture in a meaningful way and in this regard we expect to have already received the relevant detail where the firm or individual has already reported to the Central Bank, under separate new or pre-existing reporting obligations, a suspected prescribed contravention or any other breach of obligations under 'financial services legislation' in addition to suspected criminal offences.

Taking the existing and other new reporting obligations into account and given the nature of the responses received, we have removed the additional obligation for a firm to report to the Central Bank where formal disciplinary action has been concluded against an individual in respect of a breach of the Conduct Standards.

Supervision and approach to implementation

Our approach to the implementation of the new framework is based on the principles of proportionality, predictability and reasonable expectations. We have learned from other jurisdictions that the implementation phase within firms is very important. It is important that the implementation of this framework is not approached as an exercise only to achieve seeming compliance, but rather that it is internalised throughout firms' culture, approach and practices to ensure its successful and sustainable adoption.

The IAF will help – both firms and ourselves – to explain and understand how the firm is being run, how it is implementing its business model, and managing its risks. In other words, the IAF will support the existing supervisory relationship.

In CP153 we indicated that the introduction of the IAF represents an important opportunity as well as a challenge as regards how we supervise firms. We said that the introduction of the new framework would provide the basis for us to mature further our supervisory approach. Respondents agreed with what we had set out in CP153 as to how to the importance of the supervisory approach and how we proposed to approach this.

We are proposing to limit the extent of mandatory periodic reporting under the framework to the Central Bank. We will require instead that firms take responsibility for relevant documentation and make it available to us on request. Further, in line with feedback received, we have made amendments to minimise the administrative burden.

We will continue to utilise new and enhanced tools and approaches to supervise effectively.

General comments on timing

A number of comments were received on the proposed timing of the implementation of the framework on the basis that the timelines may represent a challenge for firms to prepare for implementation, including to provide high quality training on the Conduct Standards and developing Statements of Responsibility (SoRs) and Management Responsibilities Maps in preparation for implementing the SEAR. Suggestions included that the timelines proposed per CP153, as set out below, be extended or aligned to introduce all aspects of the regime at the same time:

- Conduct Standards to apply from 29 December 2023;
- The F&P Regime – Certification and inclusion of Holding Companies to apply from 29 December 2023; and
- Regulations prescribing responsibilities of different roles and requirements on firms to clearly set out allocation of those responsibilities and decision making to apply to in-scope firms from 1 July 2024.

Central Bank Response

While the key components of the IAF have been communicated for some time (since 2018), we recognise that firms will need time to prepare for and implement the IAF effectively. Our proposed approach to implementation seeks to balance the need to maintain momentum by introducing the framework while allowing appropriate time for in-scope firms to ensure its quality implementation.

The remaining provisions of the primary legislation, which the Conduct Standards and amendments to the F&P Regime apply directly from, will become applicable on 29 December 2023, in line with the recent Commencement Order. The supporting regulations for the implementation of the F&P Regime are timed to coincide with the date on which the primary law comes into effect.

In respect of the implementation timeline for the SEAR, following the consideration of responses to the CP153, it is considered that the implementation timeline of 1 July 2024 provides a sufficient transitional period for firms to implement the relevant changes. However, as noted, in the case of (I)NEDs implementation has been deferred to 1 July 2025.

We encourage firms to use this time to prepare for the implementation of the new framework by understanding their obligations and assessing their current governance structures in order to identify clearly who is responsible for what within firms. The draft Regulations and the Guidance on the IAF, which accompanied CP153, have now been updated to reflect changes following the consultation process and provide a very strong basis for firms to commence this work.

In respect of the Business Standards, the IAF Act provides the Central Bank with a regulation-making power to prescribe standards for the purpose of ensuring that in the conduct of its affairs a firm (a) acts in the best interests of customers and of the integrity of the market, (b) acts honestly, fairly and professionally, and (c) acts with due skill, care and diligence.

Currently, such standards are set out in the Consumer Protection Code and are being reviewed and updated as part of the current review of the Code. As such, the Business Standards will not be effective until the revised Consumer Protection Code is being implemented.

Consultation Paper Questions

Overall views

Q1. What are your overall views and comments on the draft SEAR Regulations and related draft guidance?

In total, 20 respondents provided a response to question 1, which in general summarised the responses to a number of the subsequent questions posed in CP153. As such, comments received in response to question 1 are addressed under questions 2-18 hereunder. Respondents were broadly supportive of the core objectives of the SEAR, including enhanced governance and increased individual accountability, which will strengthen corporate culture and consumer protection. In respect of the draft SEAR Regulations and Guidance on the IAF, the consensus was that they are well structured, comprehensive and clear.

A number of overarching comments on the SEAR were received which can be summarised into the following key themes.

Some respondents noted the implementation of the SEAR may give rise to some competitive disadvantage for regulated firms in Ireland due to the lack of equivalent individual accountability regimes applying to firms headquartered elsewhere in Europe. On a related point, it was noted that the SEAR may limit the attractiveness of firms in the financial services sector in seeking to recruit the best available talent, including in respect of NEDs and INEDs.

In order to mitigate these risks, respondents noted the importance of having clarity on the approach to enforcement and how the principle of proportionality referenced in CP153 will be applied in the implementation of the framework. It was also noted that increased transparency by the Central Bank will help to build confidence and trust in the new framework, which are essential to its success.

In respect of proportionality more broadly, some respondents requested a proportionate application of the framework to certain firms, for example low impact insurance undertakings, in the initial scope, and noted the importance of considering proportionality when the SEAR is extended to other sectors in the future.

A small number of respondents noted there was uncertainty regarding the timing of adoption of the SEAR for firms not yet in scope

following comments in CP153 that “*there is much in the spirit of the SEAR that firms not initially falling within scope should consider*”.

Central Bank Response

In developing our proposals, we have considered the legislative, regulatory and policy framework in which they will operate. We have considered the changing financial services landscape, and international developments in the area of individual accountability. We have noted the evidence of the effectiveness of related regimes introduced in other jurisdictions (from the perspective of both the relevant regulator(s) and the firms to which such regimes apply) which have not indicated a competitive disadvantage for in-scope firms. This has been the experience in the UK where a 2020 review of the Senior Manager and Certification Regime (SMCR) has been credited as a sound framework for enhancing governance.

We have also been informed by the considerations and recommendations of European and international bodies such as the European Commission and the Financial Stability Board (FSB), which recommend identifying key responsibilities and clearly assigning them to the holders of various positions within a firm.

A key potential cost of the new framework would be that it has a deterring effect in relation to the recruitment and retention of high quality individuals to important roles in the financial system. Were this to happen, it could negatively affect the overall performance of the system and its support of consumers and the wider economy. As noted, our approach to the development and implementation of the IAF is founded in proportionality, predictability and reasonable expectations, and as such, we consider the framework well designed, balanced, and unlikely to produce such effects.

While the IAF is predominantly aimed at providing firms with the tools to support improved governance and accountability, enforcement has an important role as an enabler of effective financial regulation in support of the public interest and as such, the IAF will be underpinned by the Central Bank’s powers of enforcement. These will be deployed in line with our established

principles of high quality risk-based enforcement, reflecting our commitment to proportionality, fairness, considered case selection and a consistent focus on overall outcomes.

In respect of proportionality more broadly, it is important to note that we took a proportionate and risk-based approach to the firms in scope of the SEAR at the time of the initial proposals. The SEAR will initially apply to a defined range of regulated firms, namely credit institutions (excluding credit unions), certain insurance undertakings and investment firms, and incoming third country branches, amounting in total to approximately 150 firms.

The Central Bank will have the power via the SEAR Regulations to roll out the SEAR to other sectors in due course. While it is our intention to increase the scope of application of the SEAR over time, lessons from the initial rollout will be incorporated, including from the planned review of the framework's operation three years after implementation. As the scope is extended, our approach and decision making in this regard will continue to be founded in proportionality and what is reasonable.

For those firms not yet in scope for the SEAR in our view the key principles of the SEAR can support firms and senior management in implementing an effective governance framework by identifying how the business and its risks are being managed, who is responsible for what, and any gaps which may arise. However, this does not infer that such firms should be expected to comply with the regulatory obligations of the SEAR.

Inherent and Prescribed Responsibilities

Q2. Do you agree with our proposed approach to the Inherent Responsibilities?

Q3. Do you agree with our proposed approach to the Prescribed and Other Responsibilities?

In total, 16 respondents provided a response to question 2 and 19 respondents provided a response to question 3. Overall, there was broad support for the approach taken to Inherent and Prescribed Responsibilities. A total of 14 respondents noted that the number and scope of Prescribed Responsibilities is significant and, in some cases, questioned how certain Prescribed Responsibilities could be allocated to one PCF role holder.

In total, ten respondents commented that some of the Inherent Responsibilities and/or the Prescribed Responsibilities have the potential to blur the traditional three lines of defence model, particularly where the first line traditionally has primary responsibility for owning and managing operational activities, while the second line provides compliance and oversight. Respondents noted that it is challenging to envisage how one PCF could be expected to fulfil both roles.

A number of respondents requested a proportionate approach to the number of Prescribed Responsibilities that apply to low impact insurance undertakings in line with the approach for low impact investment firms such that a limited number of Prescribed Responsibilities would apply.

Five respondents noted that given the number of Prescribed Responsibilities, consideration could be given to extending responsibilities to CF1s or creating additional PCF roles to which responsibilities could be assigned e.g. Head of HR. In addition, there were a number of technical comments on the Inherent and Prescribed Responsibilities and requests for clarity in certain cases.

Central Bank Response

While we took a comprehensive approach in the development of the Prescribed Responsibilities taking into consideration a wide range of factors, we note that the majority of respondents commented on the number and scope of Prescribed Responsibilities. In addition, some respondents suggested that the number and scope of the Prescribed Responsibilities could be addressed through the creation of new PCF roles and/or extending the SEAR to CF1s.

Taking these comments into consideration, we have amended the list of Prescribed Responsibilities to:

- remove PR8 *“Responsibility to adequately consider the impact of key business initiatives and strategic decisions and to ensure that any necessary changes are made to such initiatives/decisions prior to their implementation to avoid any harm to customers”* and PR26 *“Responsibility for leading the development of a framework for and monitoring the implementation of the conduct requirements including ensuring accuracy, completeness and timely production and submission of the firm’s conduct information”*;
- merge PR29 *“Responsibility for overseeing the adoption of the firm’s policy on diversity and inclusion”* with PR4 *“Responsibility for leading the development of the firm’s culture, including on matters relating to diversity and inclusion, by the Board”* and PR5 *“Responsibility for overseeing the adoption of the firm’s culture, including on matters relating to diversity and inclusion, in the day-to-day operation of the firm”*;
- move PR19 *“Responsibility for managing the firm’s treasury management functions and associated risks”* and PR23 *“Responsibility for the firm’s compliance with client asset requirements”* from the General list of Prescribed Responsibilities to the Sector or Circumstance Specific list.

Other Prescribed Responsibilities have been edited to reflect technical comments received.

For the purpose of allocation of Prescribed Responsibilities, we do not consider it appropriate to introduce new PCF roles and instead, as set out above, we have amended the Inherent and Prescribed Responsibilities.

In terms of the comments on extending responsibilities to CF1s, it is not possible, legally, to extend the SEAR to CF1s on the basis that the legislation is drafted in such a way to capture PCFs only.

In response to the feedback that certain Inherent and Prescribed Responsibilities have the potential to blur the lines of defence, a number of Inherent and Prescribed Responsibilities have been redrafted to reflect changes suggested by respondents. In addition, the Guidance on the IAF has been amended to:

- provide additional clarity on the Central Bank's position that the SEAR is intended to capture the responsibilities of the most senior individuals in firms and, as such, requires firms to set out clearly and fully where responsibility and decision-making lie within the firm's senior management;
- make it clear that the SoR can be used to provide additional information on the allocation of Prescribed Responsibilities and delegation of responsibilities; and
- reflect technical drafting amendments in Prescribed Responsibilities and Inherent Responsibilities, where appropriate.

In relation to the comments regarding the number of Prescribed Responsibilities that apply to low-impact insurance undertakings, it is noted that a proportionate approach already applies to the insurance sector by excluding reinsurers, captives and SPVs from in-scope insurance undertakings. It is also worth noting that the approach adopted for low impact investment firms is aligned with the approach for the Corporate Governance Requirements, which do not apply to low impact investment firms. Taking these points into consideration, we have retained the approach that all Prescribed Responsibilities apply to low impact insurance undertakings.

Sharing of Roles and Responsibilities

Q4. Do you agree with our proposed approach to the sharing of roles and responsibilities including job-sharing?

There were 17 responses to this question with the majority of respondents welcoming the pragmatic approach to sharing/splitting of roles and responsibilities in the case of job-sharing.

However, 12 respondents noted that restricting sharing of roles and responsibilities to job-sharing only would present challenges and requested that this be reconsidered in specific circumstances. While respondents agreed with the underlying principle that a firm should identify a single individual performing each Prescribed Responsibility, they noted that there may be circumstances in which it is appropriate or necessary for Prescribed Responsibilities to be split between multiple individuals. Respondents commented that if Prescribed Responsibilities cannot be split, it is likely that a number of the Prescribed Responsibilities will be allocated to the CEO, which they consider is against the spirit of the framework.

Respondents also noted there can be legitimate reasons for the splitting of PCF roles, in particular in large organisations where there are very distinct customer bases. For example, respondents highlighted that where a firm has appointed more than one individual to a role based on function or business line, it is likely that certain Prescribed Responsibilities are managed separately for their specific areas and in such cases, it would be appropriate for the relevant Prescribed Responsibilities to be assigned in full to each role holder.

Central Bank Response

We welcome the feedback from a majority of respondents that it could be challenging to implement the baseline proposal that roles or responsibilities cannot be shared or split, except in the case of job-sharing. However, it is a key premise of the IAF that the most senior individual should be solely accountable and responsible for the relevant responsibilities. Taking the feedback into account, we have amended the Guidance on the IAF to provide greater clarity in respect of job-sharing and outlined specific examples whereby the

sharing of a PCF role may be permitted in very limited circumstances and how that would impact the related responsibilities of such roles.

In respect of job-sharing, this represents an employment arrangement where two people are employed on a part-time or reduced-time basis to perform a job normally fulfilled by one person. Where two individuals share a PCF role, all individuals are individually and fully accountable for all the responsibilities inherent in or allocated to that PCF, as such responsibilities will be allocated jointly to all individuals holding that PCF role. The details of job-sharing arrangements must be set out clearly on the respective SoRs and on the Management Responsibilities Map.

The responsibilities of the role will be discharged where the individual can demonstrate that they took reasonable steps to discharge the responsibility, including the manner in which activities and tasks were shared amongst the job-sharers, and in respect of their completion on that basis.

In certain instances, taking into consideration the business model of a firm, especially in large firms, it may be a common business practice that certain PCF roles may be performed by two individuals where the PCF role consists of two distinct business lines and therefore, there is no one individual who would be responsible for the whole respective area falling under the remit of a specific PCF role.

The Central Bank would expect that only the following PCF roles potentially could be shared based on the business line:

- PCF-18 Head of Underwriting taking into consideration retail and corporate business lines; and
- PCF-19 Head of Investment (applicable to insurance undertakings) and PCF-29 Head of Trading and PCF-30 Chief Investment Officer (applicable to investment firms) taking into consideration different investment types i.e. equity and bonds.

In such cases, in determining if the situation is permissible, the arrangements should be assessed on a case-by-case basis by the

firm taking into consideration the type of PCF role, the business model of the firm, common business practice in the industry, the rationale and the details of how the role is shared. Where determined that such situations are permissible, the Inherent Responsibilities would apply in full to each role holder. In addition, it would be appropriate for the Prescribed Responsibilities allocated to that PCF to be assigned in full to each role holder. The PCF role holders should clearly reflect the business line for which they are responsible in their SoR, which will be taken into consideration in determining whether reasonable steps were taken.

The sharing of PCF roles is not permitted in any other cases and it is expected that there will be one PCF role holder for all other PCF roles.⁴

⁴ For clarity, we acknowledge that the following PCF roles by their nature can be held by several individuals: PCF-1, PCF-2A, PCF-2B, PCF-16, PCF-28, PCF-41, PCF-50 and the new Head of Material Business Line roles for Insurance and Investment Firms.

Inclusion of (I)NEDs

Q5. Do you agree with our proposed approach to the inclusion of INEDs/NEDs within scope of SEAR?

A total of 19 respondents provided detailed feedback on the proposed inclusion of all NEDs and (I)NEDs at in-scope firms within the SEAR. In terms of the feedback received, 9 respondents supported the approach, 4 respondents noted some practical concerns and 6 respondents were not supportive.

Comments from respondents in favour of extending the SEAR to (I)NEDs included that it is essential in order to achieve the policy objectives of the new regime, referencing the significance attached to their roles in terms of governance, oversight and constructive challenge, as reflected in the Companies Act and the relevant Corporate Governance Requirements.

Such respondents also noted the importance of clear and appropriate guidance, which clearly distinguishes the role and responsibilities of (I)NEDs as compared to executive directors, and acknowledged such references in the Guidance on the IAF. Respondents also welcomed that non-executive Prescribed Responsibilities have been separately identified in the draft SEAR Regulations and in the related sections of the Guidance on the IAF to provide greater clarity and agreed that such responsibilities are not contrary to their existing statutory and fiduciary responsibilities.

Respondents also noted that the Guidance on the IAF acknowledges that board decisions are made on the basis of collective decision-making and some suggested that the guidance could be enhanced further in this regard.

Respondents which commented that (I)NEDs should be excluded from the scope of the SEAR included the following rationale in their responses, among other comments. Respondents noted that such an approach would appear to contravene collective decision-making/collective responsibility on the basis that many of the Prescribed Responsibilities, which will be allocated to (I)NEDs, are overall board responsibilities and separating them in this fashion is inconsistent with the core concept of collective board responsibility.

It was also noted that (I)NEDs do not participate in day-to-day activities, hence there is an inevitable information asymmetry between them and executives of the company, which promotes the objectivity that (I)NEDs bring to their role. Some respondents considered that, whilst this is recognised in the relevant Corporate Governance Requirements, the proposed inclusion of (I)NEDs within the SEAR and allocation of individual responsibilities is contrary to this. Respondents also commented that prescribing responsibilities is more appropriate for personnel acting in an executive capacity and is contrary to the concept of being an (I)NED.

It was further noted that there exists an “expectation” gap between industry and the Central Bank on the role of (I)NEDs which needs to be addressed and which will be fundamental to achieving the necessary confidence and trust in the IAF.

Reference was also made to potential unintended consequences of including (I)NEDs within the SEAR, including that the new framework may result in chilling effect on the recruitment of good quality individuals into the Irish financial system. The potential impact on the dynamic at the board or other key meetings was also noted whereby minutes become very detailed in order to document the various exchanges that occurred rather than to capture key discussions and decisions.

Central Bank Response

We welcome the feedback received on the proposed inclusion of (I)NEDs within the SEAR. We acknowledge that this topic is finely balanced and we have carefully considered this in our development of the framework, including the approach taken in other jurisdictions, and have sought to be proportionate and clear in this regard.

We are very conscious of the importance of ensuring that individuals undertaking non-executive roles within a firm's leadership are not dissuaded from doing so by a perception of being required to meet unduly demanding standards. At the same time, we recognise these roles are an integral component of the board of the firm and a fundamental safeguard within a firm's governance

frameworks and as such, if they were not included in scope, it would send the wrong message as to the importance of these roles. In view of this, as well as the feedback received, the Central Bank has deferred the introduction of the SEAR for (I)NEDs until 1 July 2025. As stated, this will enable both the Central Bank and regulated firms to learn from the introduction of the new framework to executives in the first instance.

In respect of the points raised on collective responsibility, in developing the IAF we have been focussed on ensuring that the role of collective responsibility and decision-making remains central to firms. This aspect must not be negatively impacted as a result of an increased focus on individual responsibilities in the new framework. To achieve this the framework makes clear, in the Common Conduct Standards, that a key responsibility of individuals remains to act appropriately in the collective decision-making of firms, in line with their role. In this way, the IAF is designed to reinforce the concept of collective responsibility as a core aspect of a well-functioning firm, which will assist boards and directors, both executive and non-executive in their respective roles in the governance of firms. However, as has been set out, it is the Central Bank's view that a 12-month learning/implementation period should enable firms to better manage the perceived issues in reconciling the collective responsibility of boards with the new individual accountability regime. Further, this would provide the Central Bank time to manage any such issues if these were to materialise.

(I)NEDs play an important role in the governance of firms, particularly in respect of oversight and challenge and as such, there are important expectations that must be met by the individuals filling them. We consider that those responsibilities specified as non-executive are fully consistent with existing non-executive responsibilities under the Companies Act and broader corporate governance framework and therefore in our view inclusion within the SEAR should not impose increased obligations in that regard.

To be clear, and as set out in the Guidance on the IAF, the standards to be met by these individuals in their role as (I)NEDs will relate purely to their non-executive oversight functions and will, of course,

be limited to what should reasonably be expected of individuals in that context.

We agree that a key risk of the new framework is that it could create a deterring effect in relation to the recruitment and retention of high quality individuals to important roles in the financial system. We have sought to mitigate this in our approach to the development and implementation of the IAF which, again, is founded in proportionality, predictability and reasonable expectations, and as such, we consider the framework well designed, balanced, and unlikely to produce such effects. It is also our understanding that this “chilling effect” has not been the experience in other jurisdictions. We will consider this point, also any other unintended consequences, including in respect of boardroom dynamics, and meeting minutes which may materialise as part of our proposed three-year post implementation review.

We acknowledge the comments made on a perceived expectations gap between industry and the Central Bank on the role of (I)NEDs and the importance of addressing this to ensure that there is sufficient confidence and trust in the new framework, which are essential to its success.

We have taken on board the comments seeking some additional guidance on the points made above and have updated the Guidance on the IAF to provide greater clarity where relevant.

Statement of Responsibilities and Management Responsibility Map

Q6. Do you agree with our proposed approach to the Statements of Responsibilities?

Q7. Do you agree with our proposed approach to the Management Responsibilities Map?

Q8. Do you agree with our proposed approach to submission of documents?

In total, 20 submissions addressed question 6, 18 submissions addressed question 7 and 14 submissions addressed question 8. The majority of respondents agreed with the proposed approach as set out in the draft SEAR Regulations and the Guidance on the IAF whereby firms will be required to prepare the SoRs and Management Responsibilities Maps on implementation and keep them updated as live documents to support the sound governance of firms and be available to the Central Bank on request. Respondents also supported the requirement that firms will be required to submit a SoR with new PCF applications.

A number of respondents sought additional clarity and guidance on the drafting of both documents including how frequently and in what circumstances firms are required to update both documents. Comments were also received as to whether it is compulsory for a SoR to be approved by the board or a senior figure, such as the CEO or a Branch Manager, and the medium through which SoRs are to be signed.

Additionally, five respondents viewed the requirement to retain both documents for ten years as potentially presenting challenges to firms particularly as compared to the current six-year data retention period for other reporting requirements and potentially conflicting with GDPR requirements.

Central Bank Response

We note that the majority of respondents supported the proposed approach to preparing and submitting the required SoRs and Management Responsibilities Maps. We also acknowledge the request from certain respondents for greater clarity in respect to how frequently or in what circumstances both documents should be updated. However, we consider that to outline specific times or circumstances when the documents should be updated may be perceived as being overly prescriptive and does not align with the spirit of the framework and what it is seeking to achieve for the firms themselves in terms of enhanced governance.

As set out in the Guidance on the IAF, both documents must be kept up-to-date and submitted to the Central Bank on request. To this end, firms are required to treat them as live documents, which are continually edited and updated as appropriate, most notably, where there are changes to the roles and/or responsibilities of individuals.

In respect of approving the SoRs, similar to the approach for submission of the Individual Questionnaire requirement under the F&P Regime, the document should be signed by the PCF role holder and approved on initial implementation and when it is updated. We do not propose to be prescriptive as regards who should approve the SoR as this may conflict with the planned approach to implementation of the new framework, which as noted, is based on the principles of proportionality, predictability and reasonable expectations. The framework seeks to align with the way that firms have chosen to structure themselves, while ensuring that such structures have appropriate levels of governance and clarity.

With regard to the proposed ten-year retention period for SoRs and Management Responsibility Maps, we note that while there may be some shorter time periods for the retention of documents in other contexts, this may be explained by differences in the nature of the information and the underlying statutory regimes. Given the nature of the information to be contained in the SoRs and Management Responsibility Maps, which is related to the roles of senior personnel and a firm's governance arrangements rather than to, for

example, any sensitive personal matters, we consider ten years to be an appropriate retention period. While the Central Bank is not requiring the periodic submission of this information, it is nonetheless important that firms and the Central Bank are able to look back over documentation relating to past roles and governance arrangements as and when required.

The Guidance on the IAF includes a template for the SoR and an infographic for the Management Responsibilities Map, which will be updated to take into account comments received. In addition, as we move closer to the implementation of the SEAR we will issue more detailed operational guidance on the completion and submission of relevant documents to the Central Bank. As mentioned above, in the context of other comments received, we will consider the findings of our planned three-year post implementation review to identify if any further changes to the SEAR Regulations and Guidance on the IAF are needed.

Outsourcing

Q9. Do you agree with our proposed approach to outsourcing in the context of SEAR?

A total of 16 submissions addressed the question posed on outsourcing, with 7 respondents providing support for the proposed approach. Common themes from respondents included requests for clarity and/or flexibility with regard to the application of the proposed approach to outsourcing in a group context, while other respondents noted some potential challenges in the context of the proposal for oversight of an outsourced PCF by another PCF within the entity.

Some respondents also queried the interaction of the proposed approach to outsourcing with other elements of the IAF/SEAR such as the SoRs, Certification and the Conduct Standards. A small number of respondents sought an amendment to the definition of PR21 such that the emphasis is on the oversight of the outsourcing framework, as opposed to the operational aspects of outsourcing arrangements.

Central Bank Response

The Central Bank has conducted extensive work on outsourcing due to its increasing prevalence across the financial services sector and its potential, if not effectively managed, to threaten the operational resilience of financial service providers regulated by the Central Bank and the Irish financial system. The proposed approach to outsourcing under the IAF/SEAR, whereby if outsourcing arrangements are in place then there should be a PCF role holder in the regulated firm with responsibility for outsourcing arrangements and, where, if there is outsourcing of a PCF role, the role holder should fall under the oversight of a PCF role holder within the entity, is reflective of this work. This approach also echoes the strong focus on outsourcing by other authorities (such as, for example, the EBA, EIOPA, ESMA and IOSCO).

A large proportion of the respondents who addressed this question were supportive of the proposed approach. In view of this support, and of the importance the Central Bank, and other authorities, attach to ensuring the effective supervision of outsourcing, while

some respondents sought flexibility with regard to the application in a group context and the oversight of an outsourced PCF by another PCF within the entity, we do not consider that a change to the proposed approach is warranted.

We note the receipt of a number of queries with regard to the applicability of other elements of the IAF/SEAR where outsourcing arrangements have been entered into and accordingly have provided clarity as appropriate through amendments to the relevant sections of the Guidance on the IAF. In addition, the definition of PR21 has been amended as suggested within some submissions.

Reasonable Steps

Q10. Do you agree with our proposed approach to reasonable steps in respect of SEAR and the Conduct Standards?

In total, 19 respondents provided a response to these questions, the majority of which were in broad agreement with the overall approach to the Duty of Responsibility under the SEAR and reasonable steps in respect of both the SEAR and Conduct Standards. Respondents supported the detailed guidance provided, which is aligned to the legislation and which places an emphasis on proportionality, predictability and reasonable expectations as the foundations of the approach to implementation. Respondents also welcomed acknowledgement in the guidance that the assessment of reasonable steps must be viewed, as they existed at the time rather than applying standards retrospectively or with the benefit of hindsight.

Given the potential for difference in judgments as to what 'reasonable' requires in any given case, 14 respondents noted that more detailed guidance in respect of specific scenarios (e.g. for firms in a group structure), roles and sectors would be beneficial. In addition, respondents also noted that providing examples of good practice and case studies would be helpful.

Central Bank Response

Following our consideration of responses received, it is intended that the substance of the Guidance on the IAF relating to reasonable steps is retained, but where needed additional clarity is provided on aspects of the existing guidance on reasonable steps. The Guidance on the IAF relating to reasonable steps seeks to provide sufficient clarity and detail, supporting what is already set out in the legislation, while ensuring that there is the necessary flexibility to accommodate different governance structures, business models, and situations across firms.

The concept of reasonable steps should be already embedded in an individual's day-to-day actions in managing their areas of responsibility. In assessing the steps that an individual took, the Central Bank will consider what steps an individual, in that position, could reasonably have been expected to take at that point in time. Mindful that regulatory expectations evolve, we are clear that this

will depend on the overall circumstances and environment as they existed at the time, rather than applying standards retrospectively.

Without limiting what constitutes reasonable steps, noting that what is reasonable is context specific and will vary according to the facts and circumstance of each individual case, we have set out a non-exhaustive list of factors which we may take into consideration. These considerations may not be relevant in every case and there may be other factors that are relevant.

Extending the Guidance on the IAF relating to reasonable steps to include specific scenarios, roles and sectors could result in it becoming overly prescriptive and a 'tick-box' exercise, which may diminish the ability of an individual, in their respective firms to fulfil their obligations. Instead, it is preferable for firms apply the Guidance on the IAF relating to reasonable steps to the specifics of their firms. As the IAF is implemented, and taking into account the planned three-year post-implementation review, the related guidance may evolve to include further detail as to what constitutes reasonable steps and what "good" looks like based on evidence and firm's experience of implementing the regime.

Conduct Standards

Q12. What are your views and comments regarding the guidance on the Common Conduct Standards and Additional Conduct Standards?

Q13. What are your views and comments on the guidance in relation to obligations on the firm in respect of Conduct Standards?

In total, 21 respondents provided a response to these questions and were broadly supportive of the comprehensive guidance provided in respect of the Conduct Standards and the obligations on firms. A total of 12 respondents requested clarity on the scope of application of the Conduct Standards, and specifically on the interaction with the F&P Standards, and the existing exemptions from same. Other comments received included suggestions to revisit language in various specific paragraphs of the Conduct Standards and noted the significant challenge for firms with regard to the implementation of the Conduct Standards within tight timelines including the design and delivery of appropriate training.

One respondent noted that it is disproportionate to bring credit unions within scope of the Conduct Standards on the basis that this approach does not take into account the size of organisations, their business model or their sector's dependence on volunteers.

Central Bank Response

Taking into account of the comments received it is intended to retain the substance of the Guidance on the IAF as drafted. Suggested technical updates to language were considered and the guidance has been amended in a number of instances to provide clarity where deemed appropriate.

While we acknowledge that certain categories of individuals are exempt from the F&P Standards, in accordance with the IAF Act, all CFs are subject to the Conduct Standards given their importance in driving improved behaviours and accountability across regulated firms.

As outlined above, the Conduct Standards and the amendments to the F&P Regime apply directly from the legislation and will become applicable on 29 December in line with the recent Commencement Order.

While we recognise differences in the nature and business models of credit unions compared to other regulated firms, we consider the application of the Conduct Standards to volunteers appropriate as, despite working on a voluntary basis, the individual is holding a PCF/CF role.

Temporary Appointments

Q14. Do you agree with our proposed approach to temporary appointments within scope of SEAR and the Conduct Standards?

A total of 18 responses addressed temporary appointments of which 16 were broadly supportive of the proposed approach. However, there appeared to be some confusion within a number of responses regarding the distinction between the temporary occupancy of a PCF role (i.e. where a holder has been pre-approved under Section 23 of the Central Bank Reform Act 2010), and the appointment of a Temporary Officer (as per Regulation 11 of the Central Bank Reform Act 2010 (Sections 20 and 22) Regulations 2011).

In addition, some responses sought an expansion of the circumstances where the appointment of a Temporary Officer may be used, noting that firms exhibit a need to use this function more frequently than the Central Bank's standard of "exceptional circumstances" permits.

Central Bank Response

CP153 referred to two distinct scenarios in respect of temporary appointments - the temporary occupancy of a PCF role whereby an individual has been pre-approved under Section 23 of the Central Bank Reform Act 2010, as well as to the appointment of a Temporary Officer to a PCF role under Regulation 11 of the Central Bank Reform Act 2010 (Sections 20 and 22) Regulations 2011, as amended. While there was some support for the manner in which the SEAR and the Conduct Standards will apply (or not apply) in such instances, we acknowledge confusion within some of the responses in relation to the two scenarios and accordingly seek to provide greater clarity with regard to the distinction between them.

In terms of an individual who has been pre-approved as a PCF under Section 23 of the Central Bank Reform Act 2010, the SEAR and the Conduct Standards apply, even where such an appointment is (intended to be) temporary. However, while the SEAR and the Duty of Responsibility will apply, the consideration of reasonable steps will reflect the particular circumstances of the individual.

In contrast, a Temporary Officer appointed to a PCF role under Regulation 11, on the basis that such appointments are only permitted in the most exceptional of circumstances (e.g. in the event of the death of an individual performing a PCF), is not subject to the PCF application process, and accordingly will not be subject to the SEAR. However, an individual will be subject to the Additional Conduct Standards to the extent that the individual is identified as a CF1. It is the Central Bank's expectation that this will be the case in relation to Temporary Officers. We have updated the Guidance on the IAF to provide additional clarity on this differentiation in order to resolve the confusion noted.

We confirm that the above approach to temporary appointments is also applicable in the context of Regulation 10 of the Central Bank Reform Act 2010 (Sections 20 and 22 – Credit Unions) Regulations 2013, as amended.

We also note that some respondents sought an expansion of the circumstances where the appointment of a Temporary Officer may be used, and reiterate that the intention is for the use of this Regulation to be extremely limited given it is not envisaged that it could be invoked for circumstances which can, in the normal course, be planned for, e.g., maternity cover, cover for career breaks, etc. Accordingly, we do not consider an amendment in this regard appropriate.

Certification

Q15. What are your views and comments on the draft Certification Regulations and related guidance?

There were 18 responses provided to this question. While a number of responses presented various technical comments and queries in relation to the due diligence process, the responses predominantly focused on the potentially onerous nature of the certification requirement, and the various difficulties compliance with same may present, with 8 respondents commenting on same.

A common theme among such respondents concerned the logistical, administrative and technological challenges firms may encounter when certifying individuals carrying out CF roles. Some respondents therefore opposed the application of the certification requirement to the entire CF population (with some respondents detailing the potential size of the CF population within larger firms, the specific additional costs incurred, and the manual nature of, and associated time commitment involved in, the completion of the certification process) and, in the case of credit unions, to volunteers due to the difference in business models between credit unions and other regulated firms.

Accordingly, some respondents requested that the scope of the certification requirement be limited, for example, through the exclusion of CFs 3-11 or limiting to self-certification. A number of respondents also sought an amendment to the proposed timeframes for the application of the certification requirements.

Central Bank Response

We note a common theme of responses was on the potentially onerous nature of the certification requirement, with respondents identifying logistical, administrative and technological challenges that may be encountered when certifying individuals carrying out CF roles. We also acknowledge that respondents opposed, in particular, the application of the certification requirement to the entire CF population. In order to address these issues, we have amended the Guidance on the IAF to reflect the exclusion of CF3-

CF11 from the enhanced due diligence aspect of the certification requirements and to facilitate self-certification for this cohort of CFs.

While we recognise differences in the nature and business models of credit unions compared to other regulated firms, we do not believe this to be such a mitigating factor to merit an exemption from the certification requirement. Despite working on a voluntary basis, the individual is holding a PCF/CF role and as such should be fit and proper to perform the role.

A number of respondents also highlighted potential difficulties with the proposed timeframes for the application of the certification requirements, in particular in view of the scope of the certification requirements. Noting the exclusion of CF3-CF11 from the enhanced due diligence aspect of the certification requirements, and on the basis that the first annual submission (of confirmation of the completion of the certification process for each PCF role holder, and of confirmation of the completion of the overall certification process in respect of all CFs) will relate to the 2024 calendar year and will be required in 2025, we do not consider a change in this regard necessary.

The submissions also contained a number of technical queries in relation to the certification and due diligence process, which have been addressed as appropriate through amendments to the Guidance on the IAF.

Holding Companies

Q16. Do you agree with our proposed approach to roles prescribed as PCF roles for holding companies in the draft Holding Companies Regulations?

A total of 11 respondents provided views in relation to this question. Some respondents requested further rationale on the proposed approach, while others sought clarity on the F&P assessment process, on situations where an individual holds roles both with the Holding Company and the regulated firm, and on the in-situ process for existing role holders.

Central Bank Response

The IAF Act has extended the F&P Regime to apply to holding companies established in Ireland. The change means that individuals proposed for PCF roles in holding companies will be assessed by the Central Bank under the existing F&P Regime in the same way as individuals proposed for PCF roles in firms. In addition, CFs in holding companies will be required to comply with the F&P Standards on an initial and ongoing basis.

We note the comments received requesting the supporting rationale for this change, which is to streamline our processes by bringing existing requirements in relation to F&P (such as those set out in the Joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders and in the European Union (Insurance and Reinsurance) Regulations, 2015) under our well established F&P Regime, thereby replacing the existing manual sectoral processes.

The draft Holding Company Regulations⁵ set out a small number of CF⁶ and PCF roles⁷ in scope for the F&P Regime which, in line with the existing approach⁸ for CF and PCF roles for regulated firms, will be kept under regular review and updated as required based on changes in the regulatory landscape.

As is the practice when new PCF roles are created, the Central Bank will provide detailed operational guidance for those persons already performing the new roles at implementation, which will include a combination of an automated process and a consolidated in-situ process, so that those persons do not have to submit an Individual Questionnaire.

We have updated the Guidance on the IAF to provide additional clarity on the points raised.

⁵ Under Section 20(1) and 22(2A) of the Central Bank Reform Act 2010

⁶ A function in relation to the provision of a financial service which is likely to enable the person responsible for its performance to exercise a significant influence on the conduct of the affairs of a holding company and A function in relation to the provision of a financial service which is related to ensuring, controlling or monitoring compliance by a holding company with its relevant obligations.

⁷ The office of chairman of the board of the holding company and the office of director of the holding company.

⁸ Section 22 of the Central Bank Reform Act 2010 enables the Central Bank to prescribe by regulation PCFs

Disciplinary Actions

Q17. Do you agree with our proposed approach to reporting of disciplinary actions?

There were 20 responses to this question, with 5 of these respondents specifying that they agreed with the proposed approach albeit subject to further clarity on a number of areas. In total, 15 respondents either did not consider that the disciplinary action approach as proposed is workable or more specifically suggested that the reporting of disciplinary actions be amended to after the firm's own appeals process, so as to ensure fair procedure and due process.

In the responses received, common themes included requests for an extension to the notification timeline to after due process including allowing for appeals timelines, questions regarding what constitutes disciplinary action taken and to whom it is applicable to, requests for further clarity as to the manner in which breaches are to be reported and on who is responsible in the business for making such reports, and queries regarding the operation of this requirement in respect of outsourcing arrangements.

Central Bank Response

Given the nature of the responses received, we have removed the obligation for a firm to report to the Central Bank where formal disciplinary action has been taken and concluded against an individual in respect of a breach of the Conduct Standards. Firms are expected to play a critical role in embedding the Conduct Standards in its culture in a meaningful way and in this regard we expect to have already received the relevant detail where the firm or individual has already reported, under separate pre-existing and new reporting obligations, a suspected prescribed contravention to the Central Bank, in respect of an underlying breach of the relevant Conduct Standards.

An example of such a reporting obligation is under Section 53F of the 2010 Act whereby paragraph (d) requires PCFs/CF1s to report suspected 'prescribed contraventions' or any other breach of obligations under 'financial services legislation' in addition to

suspected criminal offences. Section 38(2) of the Central Bank (Supervision and Enforcement) Act 2013 requires PCFs to report information relating to, inter alia, 'prescribed contraventions' that may have been/are being committed, where the PCF believes that the information will be of material assistance to the Central Bank.

Head of Material Business Line

Q18. Do you agree with our proposed approach to introducing the Head of Material Business Line role for insurance undertakings and investment firms?

Six respondents responded to the proposed introduction of the Head of Material Business Line for insurance undertakings and for investment firms as PCF roles, with the majority of feedback focused on the definition of the roles. Specific comments related to the quantitative thresholds with some respondents seeking absolute, as opposed to relative, quantitative thresholds and others suggesting the use of more specific criteria such as, for example, client numbers and revenue considerations. In addition, some respondents noted that it would be helpful to understand if multiple PCFs can be in place considering the splits by business line and clarity as to whether the Head of Material Business Line roles are limited to those individuals employed in regulated firms.

Central Bank Response

We welcome the comments received and have weighed up the pros and cons of the introduction of Head of Material Business line roles for insurance undertakings and investment firms as proposed. On balance, and in line with the introduction of a new PCF-50 Head of Material Business Line for credit institutions in October 2020, we are of the view that introducing this new role as proposed is the most prudent approach to take.

Our over-riding rationale is to ensure that the list of PCF roles is appropriate to capture the present and future changes to the nature, scale and complexity of the firms. As set out in the Guidance on the F&P Standards, the Central Bank does not require a firm to create a new PCF role where one did not previously exist or where the size or complexity of a firm's business does not warrant it; this is for the firm to determine itself. Therefore, the proposed introduction of a Head of Material Business line for additional sectors is measured and proportionate and should not alter the existing governance structures of a firm.

We have reviewed the supporting Guidance on the IAF in light of the comments received and have made some changes to provide greater clarity as requested.

Appendix 1 Draft Regulations

Appendix 1 to the Feedback Statement - Draft Regulations is located in a separate file.

Appendix 2 Guidance on the Individual Accountability Framework

Appendix 2 to the Feedback Statement – Guidance on the Individual Accountability Framework is located in a separate file.

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