

Policy & Risk Division  
Central Bank of Ireland  
New Wapping Street, North Wall Quay  
Dublin 1, D01 F7X3  
Ireland

Re: Consultation Paper 160 – Draft Guidance on Fitness and Probity Standards

Dear Sir/Madam,

Blockchain Ireland, represented by its legal & regulatory working group (BI L&RWG), welcomes the opportunity to respond to Consultation Paper 160 (CP160) on the Draft Guidance (Guidance) on Fitness and Probity (F&P) Standards. As an industry association representing Ireland's blockchain and digital asset sector, Blockchain Ireland supports the Central Bank's initiative to consolidate and modernise the F&P regime. We agree that a clearer, more robust F&P framework will bolster market confidence across all regulated firms, including Electronic Money Institutions (EMIs), Payment Institutions (PIs), and emerging Crypto Asset Service Providers (CASPs).

We note positive aspects of the Guidance that Blockchain Ireland fully supports:

- **Single, Consolidated Guidance:** The objective to increase clarity and transparency in supervisory expectations.
- **Objective, Checklist-Style Due Diligence:** The inclusion of more structured due diligence expectations for assessing individuals. In particular, the illustrative table in Appendix 4 sets out examples of due diligence steps that firms should take when vetting candidates (e.g. CV review, interviews, reference checks, etc.). This checklist-style approach will help firms, especially smaller fintech startups, conduct thorough and consistent F&P evaluations. We support these practical tools, which reinforce the obligation on firms to perform rigorous up-front and ongoing due diligence on all Controlled Function (CF) role-holders.
- **Emphasis on Diversity and Conflict of Interest Management:** Embedding diversity considerations into fitness assessments to encourage firms to broaden the range of expertise and perspectives on their Boards, mitigating groupthink and fostering innovation. Likewise, the Guidance sets expectations that all potential conflicts of interest must be identified and properly managed as part of determining an individual's probity.

## Section 1: Consultation Paper Responses

Central Bank Question	Blockchain Ireland Response
Q1. (a) Do you agree with the proposed revision to the draft Guidance?	We broadly support the revision of the Fitness & Probity Guidance. We welcome the Central Bank's efforts to strengthen governance standards while recognising evolving business models and market dynamics.
Q1. (b) Are the enhancements to the draft Guidance useful to you?	Yes, the enhancements are useful, particularly the checklist-style due diligence expectations, clarification on probity standards, and the increased focus on diversity, conflict of interest management, and collective suitability. Nevertheless, we note room for further enhancements, such as anchoring the Guidance more firmly to a risk-based approach.
Q1. (c) What other elements could the Central Bank include within the draft Guidance?	Please see Sections 2 and 3 of this document.
Q2. (a) Do you agree with the proposed revisions to the PCF list?	Yes, noting there is little impact on the firms we represent.
Q2. (b) Have you identified any issues with this revision?	No

## Section 2: Areas of Concern & Our Recommendations

### • Further Consolidation of Central Banks' Expectations

We note that the Guidance does not consolidate the Central Bank's expectations specific to CASPs:

- The 'Guidance Note for Crypto-Asset Service Providers – Key Facts Document', states that an Applicant is required to *"demonstrate how sufficient expertise exists within the Board, in particular the non-executive cohort, to ensure strong independent oversight of the safeguarding and segregation of clients' crypto-assets and funds"*.
- The Central Bank's 'MiCAR Authorisation and Supervision Expectations', published in December 2024, states that *"Applicant firms should demonstrate that a Head of Client Asset Oversight is appointed"*.

In the effort to consolidate and streamline the F&P regime, it is essential that the Central Bank ensures alignment across all relevant publications and guidance notes, including those

specific to CASPs. The omission of key expectations outlined in the CASP-specific publication risks creating confusion and regulatory inconsistency.

### **Recommendation 1:**

We strongly recommend that the final Guidance explicitly incorporates CASP-specific expectations or, at a minimum, cross-references them to ensure clarity, consistency, and equal treatment across regulated firm types. We would also kindly request that the Central Bank provides clarity as to why such requirements are not applied to other fintech firms, such as Pls and EMIs.

- **Sector-Specific PCF Guidance**

We appreciate the intent to simplify the PCF framework. However, we believe that a one-size-fits-all list could create uncertainty or unintended burdens. Different sectors have different business models and risk profiles. For example, an EMI or CASP might not have roles equivalent to an insurance undertaking's Head of Underwriting or an investment firm's Head of Trading. We recommend providing a PCF-by-sector matrix or guidance clarifying which PCF roles apply at a minimum and to which types of firms. This would help firms identify the relevant PCF roles for their sector and ensure they are not caught off guard by roles that technically appear 'applicable' due to the unified list.

Notably, CP160 itself acknowledges that by removing sector categories, some roles that were previously limited to certain sectors will now apply more broadly (with an in-situ process for incumbents). A clear mapping of PCFs to industry sectors (perhaps in an appendix) would promote clarity and a level playing field by tailoring expectations to each sector's context, without diluting any standards. It will also help new entrants to understand the cost of hiring in Ireland compared to other European jurisdictions that do not have the same level of PCF requirements.

### **Recommendation 2:**

To provide clear signposting on the minimum expected level of PCF resourcing, we recommend the Central Bank to include an annexe or matrix mapping each PCF role to the sector(s) or firm types for which it is intended or most relevant. This need not re-introduce rigid sector silos but rather serve as a user-friendly guide as the minimum expectations of the Central Bank. Given that CP160 proposes "*one list of PCFs that applies to all regulated firms (other than credit unions)*" (with sector categories removed), a matrix would ensure proportional application by preventing misinterpretation. It would help new CASPs identify new roles like the proposed PCF-45 (Head of Safeguarding/Client Asset Oversight) as applicable to them, for instance, while reassuring other firms about which PCFs they do not need to consider. This addition would promote transparency and consistency across sectors.

- **Board Composition & Independent Non-Executive Directors (INEDs)**

The Central Bank emphasises the critical role of INEDs as “*an integral component of the board ... and a fundamental safeguard within a firm’s governance framework,*” with minimum expectations outlined for INED roles. We fully agree that INEDs enhance oversight and objective challenge.

The Guidance does not set out minimum expectations for CASPs on the expected mix INEDs to Executives comprising the Board, taking into account nature, scale and complexity. For example, requiring at least one INED for small firms, or start-ups (below a certain asset or headcount threshold) and progressively higher numbers or percentages of INEDs for larger institutions. This graduated approach would ensure robust governance standards (no firm would be without any independent oversight) while avoiding a situation where newer start-up firms are overburdened. We believe this refinement would maintain a level playing field not only in the Irish sector but also when compared to other European jurisdictions.

Additionally, we consider that Table 5 and 6 in the Guidance, which indicate the desired years of “*practical experience*” that INEDs should have, will negatively impact the talent pool available to CASPs seeking appropriately.

**Recommendation 3:**

Clarify the minimum number or proportion of INEDs required on the Boards of regulated firms, with explicit proportionality for smaller entities. For example, the Guidance could state that every regulated Board should have at least one INED as a baseline (to ensure basic independent oversight) and that firms above certain size criteria (or in higher impact categories) should have a greater number of INEDs (e.g. two or more, or a majority of NEDs being independent).

**Recommendation 4:**

Remove the “*Level of experience*” in Table 5 and 6, instead allowing the firm to satisfy itself that the proposed INEDs are suitable for the firm given its size, risk, product suite etc.

- **Board Composition, PCF Roles & Diversity Expectations**

Blockchain Ireland fully supports the Central Bank’s commitment to promoting diversity and inclusion across the financial services sector. We agree that diversity in all its forms, whether in age, gender, background, experience, or perspective, is a key pillar of strong governance, independent thinking, and long-term strategic resilience.

However, we are disappointed that the Guidance apply diversity expectations proportionately across all PCF roles and the wider organisation of a regulated firm, not just the Board.

Additionally, we are concerned about the practical realities and labour market dynamics in Ireland. While the aspiration for diverse Boards is one we share, the application of these expectations must be calibrated to firm size, maturity, and sector-specific challenges.

In particular:

- Ireland's financial services labour market is small and specialised, with a limited pool of individuals who meet the Central Bank's experience, seniority, and skill requirements for PCF roles, especially in emerging areas like crypto assets, blockchain, and digital finance. For new market entrants, especially those building out their governance and leadership team, it can be extremely difficult to achieve both diversity and the required levels of expertise in the short term.
- The additional regulatory expectations for CASPs, such as requiring experience in safeguarding client crypto-assets, the need for a Head of Client Asset Oversight, etc, can unintentionally constrain firms' ability to build a diverse board, particularly at the authorisation stage.

We know of one Blockchain Ireland member who sought to recruit an INED specialising in information technology. After three months of recruitment activity, and using an external recruitment consultant, our member was still unable to identify one available candidate.

The Central Bank should apply diversity expectations proportionately across all PCF roles and the wider organisation of a regulated firm, not just the Board. Recognising the practical constraints faced by CASPs and fintechs, particularly in a limited domestic talent market, the Guidance should promote a flexible, phased approach to achieving diversity, supported by transparent recruitment and inclusion strategies.

#### **Recommendation 5:**

The Central Bank should apply diversity principles proportionately across all PCF roles and the wider organisation of a regulated firm, not just the Board. Recognising the practical constraints faced by CASPs and fintechs, particularly in a limited domestic talent market, the Guidance should promote a flexible, phased approach to achieving diversity, supported by transparent recruitment and inclusion strategies.

- **Rules on PCF Dual-Hatting**

The Guidance recognises that one individual may hold multiple PCF roles in certain cases but also underscores that this should be **exceptional**. It states that it *"is possible that an individual can hold more than one PCF role"* provided the person has the requisite competence for each, sufficient time capacity, and no conflicts of interest and, notably, that such dual appointments **will be limited** and assessed considering the firm's nature, scale and complexity. We agree with the Central Bank's cautious stance on 'dual hatting' in large or complex institutions, where key roles (e.g. CEO, CRO, CFO) typically demand full-time attention and separation of duties.

However, in smaller firms, especially in the fintech and crypto-asset space, some degree of dual-hatting can be both practical and necessary in early stages (for example, the CEO might also fulfil the role of Head of Operations initially, until the firm grows). Likewise, it is not clear if the Central Bank also considers that the Chief Executive Officer should not also be an Executive Director, as this is technically also ‘dual-hatting’.

We are concerned that without clearer criteria, smaller firms might face uncertainty about whether they can combine roles or risk breaching supervisory expectations. Blockchain Ireland recommends introducing objective, quantitative thresholds to guide when dual-hatting is permissible. For instance, the guidance could specify that in a firm below a certain size (e.g. under a defined balance sheet total or number of employees) and with non-complex operations, one individual may hold two PCF roles *provided* there are no conflicting responsibilities, and the individual can commit sufficient time to each. Above that threshold, roles should generally be split.

Further, there are already many individuals in the sector who are ‘double’ or ‘triple’ hatting. We ask the Central Bank to include in the Guidance clarity on how it intends to deal with these individuals, given the Central Bank’s position that such circumstances are exceptional and thus not the norm.

#### **Recommendation 6:**

We recommend that the Guidance be updated to provide clear quantitative criteria or examples of when dual hatting may be acceptable. Currently, the Guidance indicates dual-hatting approvals will be “*relatively limited, taking into account the nature, scale and complexity of the firm*”. By defining what “*relatively limited*” means in practice (through thresholds or a small-firm waiver policy), the Central Bank would give firms and supervisors a common reference point. This not only aids smaller firms in planning their staffing but also ensures that all firms are held to consistent standards based on their risk profile. We believe this addition would reinforce the Guidance’s intent to prevent inappropriate dual hatting, while still allowing flexibility for simpler firms under strict conditions. It would also make it explicit to the industry that, for example, a rapidly growing fintech that crosses the threshold must separate combined roles on time, thereby embedding good governance as the norm.

#### **Recommendation 7:**

We recommend that the Guidance elaborates on how the Central Bank intend to deal with PCF role-holders that already hold more than one function.

#### **Recommendation 8:**

Further clarity is required on the Central Bank's acceptance of commonly observed dual-hatting scenarios, for example, Chief Executive Officer (PCF-8) and Executive Director (PCF-1).

- **Rules on PCF Time Commitment**

The Guidance introduces a general expectation that executive PCF roles be carried out on a full-time basis and that individuals must have “sufficient time” to perform all functions under CF and PCF designations. While we understand and support the principle that key roles must be effectively resourced and free from conflict or dilution of attention, we believe this aspect of the Guidance, as currently drafted, introduces a subjective element and not inline, we believe, with the Central Bank's objective of greater transparency, efficiency and effectiveness of the F&P Regime.

Unlike other sections of the Guidance, which are more directive, e.g. background checks, qualifications, etc, the “sufficient time” requirement relies on a highly interpretive standard. This creates uncertainty for firms that operate leanly by design, especially during the early stages of authorisation or commercial scaling, where a founder or executive may, by necessity and design, perform multiple PCF roles (e.g. Chief Executive Officer and Executive Director).

Moreover, the blanket “full-time” expectation does not adequately account for the nature, scale, and complexity of different business models. A startup CASP offering a crypto-asset service with low transaction volumes cannot, we believe, be reasonably held to the same full-time PCF expectations as a high-impact firm with complex cross-border operations. In practice, early-stage fintechs and CASPs often rely on a small team of experienced individuals wearing multiple hats, while implementing strong governance controls, external advisory input, and a staged approach to full-time hiring as the business grows.

Without this clarity, there is a risk that innovative firms will face unexpected friction at the authorisation stage or will be forced to make premature, impractical hires, which may undermine rather than support long-term sustainability and compliance.

**Recommendation 9:**

Clarify that the “full-time” expectation for executive PCFs is principles-based and subject to proportionality, particularly for firms in early operational stages. The Guidance should include objective criteria or illustrative examples where dual PCF appointments and non-full-time roles may be acceptable, such as firms with limited assets under management, a small number of clients, or lean staffing structures. While firms should remain responsible for demonstrating that individuals have sufficient capacity and that governance arrangements are effective, this should not be framed as a one-size-fits-all threshold, but rather as a flexible expectation calibrated to the firm's nature, scale, and complexity.

- **Rules on Duties Performed Outside of the State**

The Guidance does not limit PCFs/CFs to functions performed in the State. Blockchain Ireland supports this for many reasons (limited talent pool in Ireland, high cost of labour, demand for remote working etc), however, our members have encountered practical challenges from the Central Bank when proposing individuals to be filled by individuals located abroad, such as Chief Executive Officer, Chief Information Officer and Head of Compliance. Our members are citing difficulties in hiring the Chief Information Officer due to the limited pool of individuals who understand the technical infrastructure underpinning blockchain technology, and where they can identify a potential candidate, these profiles are commanding a salary of more than €200,000.

**Recommendation 10:**

We recommend that the Central Bank provide clear guidance on its position in these cases to ensure consistency and avoid uncertainty during the authorisation and supervisory process.

**Section 3: Conclusion**

In the absence of amending the Guidance in some or all of the areas outlined in this submission, there is a real risk that its well-intentioned objectives, promoting high standards of fitness, probity, and governance, will not be achieved in practice. Specifically, for fintechs and CASPs operating in Ireland, the combination of narrow definitions of experience, limited recognition of sector-specific expertise, and rigid expectations around PCF role structure may result in regulatory barriers that are misaligned with the realities of this emerging industry.

Given the well-documented shortage of individuals in Ireland with both the length of service and the specialist skills required for PCF roles in digital finance (e.g. CIOs with crypto-native experience or compliance professionals with blockchain-specific expertise), the Guidance, as currently drafted, risks becoming a disincentive to innovation and growth. Rather than fostering responsible market entry, it may inadvertently discourage high-quality firms from choosing Ireland as a base of operations. We already note that this is a real risk given the volume of firms leaving the market or not transitioning from VASP to CASP.

This puts Ireland at a significant competitive disadvantage relative to other jurisdictions, such as the Netherlands, Luxembourg, Germany and Lithuania, which are seen as more agile, proportionate, and innovation-friendly in their regulatory approaches to fintech and digital assets. These countries have already positioned themselves as attractive hubs for global firms by balancing high standards with commercial pragmatism.



We strongly encourage the Central Bank to ensure that the final Guidance explicitly accommodates the needs and realities of newer and smaller firms, adopts a flexible and proportionate approach to diversity, experience, and PCF structuring, and avoids creating unnecessary regulatory friction that could undermine Ireland's standing as a forward-looking, well-regulated hub for fintech and crypto innovation.

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