

# Brokers Ireland's submission on the Central Banks Amendments to the Fitness and Probity Regime (CP160)

July 2025



Brokers Ireland is Ireland's representative body for insurance and financial brokers, with a combined strength of over 1,115 firms. We represent a substantial number of insurance and financial brokers currently trading in Ireland. As the premier voice for insurance brokers and financial brokers, we advise members, liaise with regulators, government and other insurance industry stakeholders on key insurance issues, in order to raise and maintain industry standards.

Brokers Ireland's mission is to promote, support and protect our members, both collectively and individually, in the areas of education, compliance, lobbying and business development. We underpin this support by providing a forum for dialogue and debate, both within Brokers Ireland and with industry stakeholders.

We welcome the opportunity to make a submission on the amendments to the Fitness and Probity regime; it is important to provide an overview of the intermediary sector in respect of nature and scale which should be reflected in the Central Banks approach to the intermediary sector under the Fitness and Probity Regime.

The Broker/intermediary landscape is very graduated, comprising of some large firms and a large cohort of micro/small businesses, many of which are one person operations. A survey of Brokers Ireland members (sample size 270, February 2025) found that based on employment levels and turnover; the sector is dominated by micro enterprises. 84.44 per cent of intermediaries are micro enterprises, 11.48 per cent are small and 4.07 per cent are medium-sized firms. Most Brokers are non-cash handling and non-product producing, in addition, when client monies are transferred to the Broker they are taken as being received by the provider. Therefore, the prudential risk for consumers is much lower when engaging with Brokers than when doing so with other financial firms.

### **1. Do you agree with the proposed amendments to the Fitness and Probity Standards?**

Yes, we broadly support the proposed amendments aimed at enhancing clarity and transparency. However, we are concerned that the draft Guidance is introducing new changes and higher standards for firms, going beyond consolidating existing requirements.

We believe it would be useful for the industry to include case studies/examples of past applications on an anonymous basis to illustrate how standards are applied in practice. It would also be useful to clarify how past conduct is weighed, particularly where a notable time period has passed.

### **2. Do you agree with the proposed amendments to the list of Pre-Approval Controlled Functions (PCFs)?**

Brokers Ireland has limited comments in relation to these amendments given that the proposals do not impact the PCF roles which are relevant to the intermediary sector. Broadly we are in favour of refining the number of PCF function listing. We suggest that proportionality should be addressed for smaller firms, where individuals may hold multiple roles or moving between similar roles. An example of this in the intermediary sector is where a sole trader is seeking to move to an incorporated firm where there is no change in personal or business activities. Brokers Ireland's view is that the level of understanding demonstrated by any PCF-10 (Sole Trader applicant) is appropriate for a PCF-1 (Executive Director) role in a corporate that is wholly owned and directed by that applicant and that the size, the business and

the risk profile of the sole trader's business does not justify a duplicated PCF approval and authorisation application process.

The Central Bank should use the knowledge that it gains in one regulatory process (i.e. PCF approval as a PCF 10 - sole trader) to inform itself in another process (PCF approval as a PCF 1 – Executive Director). This is permitted by Section 34 of the Central Bank (Supervision and Enforcement) Act, 2013, which outlines that “Information acquired by the Bank or an authorised officer in the performance of any functions conferred on the Bank or the authorised officer under financial services legislation may be used by the Bank for the purposes of the performance of any of its functions under financial services legislation”. The sharing of information could be used to streamline the PCF-1 application process (i.e., by recognising the close alignment between a PCF-10 and a PCF-1 role) thereby removing duplication.

### **3. Are there any other changes you believe should be made to the Fitness and Probity Regime?**

As previously outlined, we recommend streamlining the application process for PCF approvals, particularly for internal promotions or transitions from PCF 10 to PCF 1 roles. Additionally, we propose implementing a tiered due diligence approach that takes into account the specific role and the size of the firm. For example, due diligence requirements for a PCF 1 function within a brokerage should be less extensive than those required for the same function in a larger organisation.

### **4. Do you have any comments on the draft guidance on the Standards of Fitness and Probity?**

We appreciate the effort to align with international best practices and the recommendations from the Enria Review.

Brokers Ireland have significant concerns regarding the proposed guidance in relation to level of experience required for Executive Director, we note that it is outlined that *“For smaller, less complex firms (other than credit unions): Four years of recent practical experience in areas related to financial services at senior level managerial positions”*.

It is imperative that proportionality is applied here, PCF applicants for Brokerages are generally for sole director, or 2 director firms and we believe that expectations of senior level managerial position are not relevant to the nature and scale of the firm. A requirement for senior managerial experience would create an impediment to new entrants to the brokerage market from individuals such as Broker Consultants/Financial Consultants coming from life insurance companies and banks. This is the traditional route to brokerage - these individuals will have vast experience in dealing with clients, advising on products and have many transferrable skills which are beneficial to the industry, but this may not be at managerial level. We believe four years of recent practical experience in areas related to financial services is appropriate. It is essential that the industry remains a feasible option for new participants to ensure its sustained dynamism and vitality.

Promoting diversity and inclusion in financial services is essential. The complexities of modern markets demand a multiplicity of perspectives, experiences, and skills. A workforce drawn from varied backgrounds is better equipped to navigate uncertainty and generate innovative solutions. Encouraging applicants from sectors outside the sector supports adaptability and creativity.

When firms limit senior roles, such as Executive Director, INED, or NED positions, solely to those with direct financial services experience, they restrict talent and diversity into the sector. Such restrictions can undermine efforts to broaden the talent pool, especially as other industries may cultivate valuable competencies in governance, risk management, technology, and client service—attributes essential for future-proofing the sector.

Policies and guidance should be developed with an emphasis on inclusivity, acknowledging pertinent experience and transferable skills across diverse industries. By lowering unnecessary barriers and embracing applicants with varied career trajectories, financial services can result in new standards of excellence, resilience, and innovation.

