



**Insurance Ireland Submission to the Central Bank of Ireland Consultation Paper 160:
Amendments to the Fitness and Probity Regime**

About Insurance Ireland

Ireland is a thriving global hub for insurance, reinsurance and captives and Insurtech. Ireland's insurance market is the fourth largest in the EU, and our Reinsurance market is the second largest. Our Members represent around 95% of the companies operating in the Irish market, making Insurance Ireland a strong leadership voice for the sector.

Insurance Ireland members are progressive, innovative and inclusive, providing competitive and sustainable products and services to customers and businesses across the Life and Pensions, General, Health, Reinsurance and Captive sectors in Ireland and across the globe.

In Ireland, our members pay more than €13bn in claims annually and safeguard the financial future of customers through €112.3bn of life and pensions savings. Our members contribute €1.6bn annually to the Irish Exchequer and the sector directly employs over 18,000 people in high skilled careers.

The role of Insurance Ireland is to advocate on behalf of our members with policymakers and regulators in Ireland, Europe and Internationally; to promote the value that our members create for individuals, the economy and society; and to help customers understand insurance products and services so that they can make informed choices.

Executive Summary

Insurance Ireland welcomes the opportunity to share industry feedback relating to the proposed amendments to the Fitness and Probity Regime (F&P Regime). Insurance Ireland and our Members support the need for a robust F&P Regime, which will support and harness trust in financial services. Individuals understand that by taking on a controlled function role, they will have a material impact on a firm's affairs and role within the wider financial system. It is only right that they undergo a robust application process for the protection of consumers and the integrity of the financial system.

While we will expand in this submission on our views in relation to the questions posed, and provide our insights on the draft Guidance, it is important Central Bank view these proposals holistically and ensuring they are aligned overarching goals by:

- Aligning with EU goals in terms of Regulatory Simplification.
- Promoting ED&I.
- Providing flexibility for non-industry candidates with expertise in key areas.

- Ensuring enhancements are proportionate.
- Using this opportunity to future proof known challenges.

The global financial system has rapidly evolved since the introduction of the F&P regime and the insurance sector has significantly grown in size and interconnectedness. Insurance Ireland strongly believes that proportionality, transparency and consistency must be embedded in a robust F&P Regime. It is welcome that in line with recommendations made by the Enria Report, the Central Bank of Ireland (Central Bank) is consolidating the Guidance into a single document. As the Consultation Paper itself points out, there needs to be a balance between the benefits of the additional scrutiny of PCF applications and avoiding imposing an undue regulatory burden, that could reduce Ireland's attractiveness as a jurisdiction to establish and grow financial services offerings and also in attracting and retaining talent within the industry.

In July 2024, the Fitness and Probity Review was published by Mr Andrea Enria, former Chair of the Supervisory Board of the European Central Bank. The Review found that the F&P approval process is not always up to the requisite standards of fairness and transparency, and there is a need to improve the consistency of the process across firms of different sizes and operating in different financial sectors.

The aim of the review of the F&P Regime and these proposed changes to the Guidance is to enhance the clarity and transparency in supervisory expectations in relation to the application of the Central Bank's F&P Regime. While it is positive and welcomed that the Central Bank has accepted all of the recommendations set out by Mr Enria, we believe that the draft Guidance is moving beyond the recommendations and introducing new changes which will result in additional regulatory burden being placed on firms.

Over the past number of years, the industry has already seen a number of changes introduced. In April 2019, the Central Bank issued a 'Dear CEO letter' in relation to firms' compliance with their obligations under the F&P Regime which required firms to introduce changes, and the Central Bank also reiterated supervisory expectations as a result of regulatory developments as a result of thematic inspections. In 2023, the Central Bank then brought in the Individual Accountability Framework (IAF), introducing a number of enhancements to the F&P Regime. The IAF also introduced the Senior Executive Accountability Regime (SEAR) which applied for in-scope firms from 1 July 2024 and for (independent) non-executive directors from 1 July 2025.

These recent changes have had significant operational and governance impacts for firms, and the Central Bank are now introducing further changes in the draft Guidance. These continued changes and further regulatory enhancements affect the attractiveness of Ireland for both PCFs and firms. At a European level, the European Union and the European Insurance and Occupational Pensions Authority (EIOPA) have been pushing for simplification of the regulatory reporting requirements firms are facing and to increase European competitiveness. The Central Bank's approach to F&P must bear this in mind, and any changes brought by the consolidation of F&P Guidance should consider the resulting burden placed on Irish firms. Consolidation of Guidance should enhance the operating environment, rather than create additional regulatory requirements.

As previously noted, the draft Guidance goes beyond simply consolidating the original Guidance and instead introduces significant changes that will have material impacts on firms. Insurance Ireland and our members request that at a minimum a twelve-month lead-in timeline should be applied from the date the final Guidance is published. Firms will need time to carry out an impact assessment and change their procedures and policies to reflect the revised standards, and these changes should not be viewed in isolation to other ongoing regulatory requirements

Consultation Questions:

1. (a) Do you agree with the proposed revision to the draft Guidance?

Insurance Ireland welcomes the Central Bank's efforts to provide greater clarity and transparency with regard to its F&P expectations. Our members believe the current process to be opaque and that there is a lack of information and clarity on the criteria on which decisions are based. Therefore, further clarity on the Central Bank's expectations in the draft guidance is welcomed and this will help firms and individuals to complete applications. However, it is vital that the final Guidance is an enabler for firms to develop and progress individuals within the financial services industry and not a deterrent for firms in proposing individuals into key positions. Otherwise, the regime will make Ireland less attractive as a destination to establish (re)insurance operations, and incumbent firms will also struggle to obtain and retain talent. For example, the draft Guidance points to firms looking for individuals that have already worked in the sector for a long time and does not facilitate diversity and inclusion objectives.

The F&P Regime must take a flexible and proportionate approach to find the right balance between facilitating an effective operating environment for (re)insurers and the supervisory goals of the Central Bank. In the Consultation Paper, the Central Bank acknowledges that there needs to be a balance between the benefits of the additional scrutiny on PCF applications and avoiding imposing an undue burden on the regulated financial services industry.

While the overall draft Guidance is positive, there are a number of issues we have identified that may cause unintentional negative consequences and some areas that require further clarity and need to be reviewed and amended.

(b) Are the enhancements to the draft Guidance useful to you?

Insurance Ireland welcomes the Central Bank's steps to consolidate the Guidance and feels that such consolidation is beneficial for the industry. It is important that the Central Bank publishes and maintains F&P Guidance to ensure that the F&P Regime is transparent, predictable, and proportionate. We support the Central Bank's ambition to increase transparency, and to ensure clarity and understanding through the provision of the draft Guidance which underpins the Enria Report's recommendation to consolidate all Guidance into a single document of the overall F&P framework.

(c) What other elements could the Central Bank include within the draft Guidance?

As noted above, we welcome the consolidation of the Guidance, however, there are a number of issues we have highlighted below. It would be helpful for firms if the final

Guidance clearly indicated where it has added or enhanced existing Guidance versus simply restating Guidance or requirements from other materials. This exercise has included the consolidation of a number of documents. It would be helpful in this regard for the Central Bank to include a mapping tool for the existing requirements along with a table of changes, something that the Central Bank provided for the revision of the Consumer Protection Code 2025, which was extremely helpful for our members.

Sections 4.40 – 4.49 of the draft Guidance sets out the level of knowledge and experience the Central Bank expects PCF role holders to have. **Section 4.44** introduces new criteria as to whether an individual has the appropriate level of experience and knowledge. It is important that the final Guidance and its practical application by the Central Bank enables the development of individuals within a firm and supports the desired level of diversity and inclusion. For example, Table 7 of the draft Guidance provides that a Chief Executive Officer (CEO) must have ten years of recent practical experience in financial services for larger, complex firms, and eight years of experience for smaller, less complex firms. This expectation for at least eight years' experience in a similar role deters firms from promoting within. The level of experience required for the CEO is subjective to each firm, based on the nature, scale and complexity of their business. Therefore, there should be flexibility given to firms to determine the correct individual for the role. Additionally, it would be helpful if the Central Bank would provide insight on what would happen if a firm proposed an individual who may not have the eight years' experience, but the firm is satisfied has the required knowledge and experience for the role. A robust Personal Development Plan (PDP) supports any identified gaps and should be allowed for within the Guidance.

A strict application of the criteria around the level of experience, and particularly the requisite number of years in the relevant area, would negatively affect a firm's succession plans and would also have negative effects on diversity and inclusion. We therefore welcome the proportionality in section 4.48 that *"an individual who does not hold the years of experience set out could still be considered fit and proper where there is an appropriate justification"*.

Under **section 4.49**, Table 3 provides that an executive director's level of knowledge should be five years practical experience for more complex firms and four years' experience for less complex firms.

Notwithstanding section 4.48, the 5-year financial services experience limitation/expectation creates the unintended barrier of only focusing on selecting for executive board positions those with financial services experience and unintentionally discourages appointment of individuals with significant and beneficial experience from other industries, undermining the diversity objectives of both firms and the Central Bank. In our experience, senior individuals have transferable skills between industries. Placing such a limitation could mean losing flexibility to appoint senior individuals with experience in other industries needed to deliver strategies for the future. The particulars of the financial services industry can be obtained through well run training programs and courses.

We also note the growing trend of cross sectorial regulation, such as the AI Act, European Accessibility Act and the Corporate Sustainability Reporting Directive for example. Further, and in relation to (re)insurers in particular, the ongoing review of Solvency II continues to build on the importance of climate risk and sustainability capabilities under Pillar 2 of Solvency II. Firms will require subject-matter experts in these fields who may not have prior financial services experience in line with the Guidance.

Experience of these important regulations impacting financial services firms can be gained within other industries. We therefore suggest that it is preferable that executive directors have 5 years of recent practical experience in areas related to financial services at senior level managerial positions. However, where there already exists sufficient financial services experience amongst the executive directors, reflecting the objectives of diversity, individuals from other industries, with transferable skills and relevant experience are justifiable.

Additionally, Tables 4 and 5 of the draft Guidance sets out that non-executive directors (NEDs) and independent non-executive directors (INEDs) are required to have three years of recent relevant practical experience at high-level managerial positions. This requirement is inconsistent with practice, restrictive, and is out of line with the current accepted practice for NEDs and INEDs who may have not worked recently in a managerial role but have extensive beneficial experience. There is a multitude of people who hold INED positions but who have not worked in a recent managerial role and are entirely suitable for the position. For example, in the Health insurance sector, an INED with medical experience is advantageous for such boards and have been approved for such PCF appointments in the absence of any financial services experience.

In relation to the roles detailed above and the required years of experience, the Central Bank needs to have regard to the impact the requirements will have on diversity and inclusion. Our Members have reported having mixed feedback in terms of Diversity and Inclusion with some firms reporting very positive experiences, particularly in terms of gender when coupled with insurance experience, and others reporting that the lack of insurance experience seemed to be a stumbling block. Even for NEDs, which could reasonably be expected to have less insurance experience in order to bring diversity to the Board, there is a requirement for insurance experience.

This can be frustrating for firms when a deliberate decision is made to source a non-insurance person and then the application is declined. Given the historic lack of gender diversity at senior levels in insurance undertakings, the requirement for many years of insurance experience at senior levels can be inherent blocker for females applying for PCF roles. With respect to (re)insurance firms in particular, EIOPA has recently acknowledged and promoted the importance of diversity in appointments in its Consultation paper on the proposal for Guidelines on the notion of diversity for the selection of members of the administrative, management or supervisory body, part of the ongoing Solvency II Review. It is crucial that the final Guidance does not inhibit firms' ability to meet these diversity objectives.

Head of Control Functions

Under **section 4.50**, the Central Bank has set out its expectations in regard to the roles of the heads of the control functions. The draft Guidance states that the Central Bank's expectation is that the Head of Actuarial Function (HoAF) is carried out by a qualified actuary. It is important the Central Bank provide clarification on how it will ensure the requirements do not conflict with the European Union fundamental freedoms where they allow for mutual recognition of equivalent qualifications between different jurisdictions, for example, where an individual is not a "qualified actuary" from the Irish or UK perspective. It is important that the final Guidance caters for recognition of equivalent qualifications from other jurisdictions. Additionally, the draft Guidance states that the HoAF must be a member

of a recognised actuarial association. The Central Bank should clarify what is meant by 'recognised actuarial association' and whether it is limited to Irish associations.

The Central Bank should specify that qualifications equal to a qualified actuary in Ireland will be recognised as individual in other jurisdictions who are equally as qualified may not have the official title of "actuaries". Additionally, the minimum numbers of years' experience cited as a prerequisite are too prescriptive. They do not cater for sufficient flexibility to allow for circumstances whereby a very experienced actuary might not meet the exact requirements. Neither does it appear to allow for knowledge that candidates may have acquired outside of their previous roles (e.g. studies, CPD etc).

Similarly, the draft Guidance outlines that the Head of Finance must be a member of a recognised accountancy body, and only in exceptional circumstances would non-accountants be considered.

Insurance Ireland would like to highlight that for the insurance sector, practicing members of the actuarial profession are equally appropriate and qualified for the Head of Finance position and not just in exceptional circumstances. There are firms who have Chief Financial Officers (CFOs) in other jurisdictions who do not meet the exact criteria as specified in the draft Guidance, but who are fully qualified for such positions. The Central Bank is creating supervisory expectations over and above existing rules in this instance, which is not in line with current practice or the overarching aim of the new Guidance which is to consolidate existing requirements. We recommend that Table 8 should be updated to reflect these points.

Additionally, several European Union countries place a strong emphasis on practical experience and relevant qualifications in accounting, sometimes even over formal membership in accounting bodies. There would be a concern that the requirements are drafted would impact on the European Union fundamental freedoms.

Chief Information Officer

The requirements for a Chief Information Officer (PCF-49) are set out in sections 3.30 & 3.31 of the draft Guidance. Currently, the Chief Information Officer (CIO) is applicable to High or Medium-High PRISM rated entities and not for lower PRISM rated entities. Section 2.30 and 2.31 indicates that firms are required to make an assessment on whether, based on the adverse effects criteria, the role is necessary. In relation to this criteria, section 2.31 states that a CIO role would likely apply where it is warranted on the basis of the risk profile of the entity or the information and communication technology is a key enable or core element of the RFSP's business model.

There are concerns that, given that only one criterion appears to have to be met for a CIO role to be required, that it would apply to the majority of firms as the majority for firms use such technology to meet its regulatory obligations (e.g. SAP for finance; sanctions screening tools around compliance etc.). We believe it is important that the Central Bank ensures that the role is not applicable across non-SEAR entities. Additionally, lower PRISM rated entities should be enabled to assess whether to have a CIO or not.

Long-Term Sick Leave / Long Term Leave

The draft Guidance does not address what happens when an individual (PCF) is on long-term sick leave or long-term leave and the firm is unable to submit the PCF annual return. Our Members have reported having this issue and being provided with extensions from the Central Bank until the individual has returned from leave. However, it would be beneficial if the final Guidance contained steps that a firm should follow in these situations.

Standard of Financial Soundness

The draft Guidance has set out new requirements in relation to financial soundness under section 3.43 and sections 3.8 and 3.9. Under these sections, firms are required to obtain evidence of the individual's financial soundness. The wording contained within section 3.43 raises concerns amongst our Members and is impractical in nature. Currently, in line with Appendix 4 of the draft Guidance firms rely on self-certification, and a declaration that an individual makes to demonstrate compliance with the standards, it is inherent that they are declaring they are financially sound. If there are changes to an individual's financial soundness at any point throughout the year, it is the responsibility of the individual to notify the firm of this change.

However, the draft Guidance introduces new requirements that place a positive obligation on firms to obtain evidence of financial soundness from the individual. This goes beyond consolidating existing Guidance and creates a higher supervisory expectation for firms. This requirement is intrusive and goes above and beyond what employers can request and what employees are obligated to provide and raises concerns about its proportionality and whether the section is in line with GDPR.

Insurance Ireland strongly believes that the first part of section 3.43 should be deleted from the final Guidance and firms should continue to apply the self-certification to demonstrate an individual's financial soundness. The section is impractical and intrudes on what information individuals should reasonably be obligated to provide. In the absence of deleting this requirement, there are elements of subjectivity in what firms may determine as sufficient evidence of financial soundness. This will lead to an inconsistent approach being taken across firms. The Central Bank needs to provide greater clarity around supervisory expectations including what evidence is sufficient and how firms are expected to obtain such evidence.

Suggested update to section 3.43:

~~The relevant individual should provide evidence of financial soundness in order to uphold expected standards. Any indication of previous financial difficulties e.g. bankruptcy or insolvency should be investigated to ensure the individual is not vulnerable to external pressures or financial compromise.~~

Appendix 4

- Appendix 4 of the draft Guidance provides examples of due diligence to be undertaken by firms in assessing an individual's compliance with the standards of fitness and probity. While the draft Guidance does specify that the Table is a non-exhaustive list, Insurance Ireland has identified a number of requirements that contradict the list in Appendix 4. These include Section 3.12, which requires firms to

carry out background checks including criminal record checks. However, this contradicts the Table in Appendix 4 that provides that criminal background checks are self-certified.

- Section 3.43 states that individuals must provide evidence of financial soundness in order to uphold expected standards. This requirement contradicts both section 3.8 and the Table. The Table provides that financial soundness should be proved by judgement searches carried out by the regulated financial service provider/holding company.
- The Table sets out that the requirement to check publicly available sources for debt judgments only applies to PCFs, CF-1s and CF-2s, and in all other instances self-certification is acceptable. However, the draft Guidance under section 3.23 is unclear as to whether the same rules apply.

Insurance Ireland and our Members strongly recommend that the Central Bank should align the final Guidance to the Table in Appendix 4. Alignment of the requirements would ensure a consistent approach and be beneficial for firms to have an accurate list of requirements to satisfy. Firms should be able to follow and rely on the information contained in the Table.

Designation of a Company Secretary as a CF-1 role holder

In line with the Central Bank's objective to consolidate the existing documents in relation to the F&P Regime, including existing Guidance, FAQs and "Dear CEO" letters, the final Guidance should be updated to clarify the designation of a Company Secretary. The [F&P FAQ 2018](#) under 3.10 provides that *"The Central Bank amended the Regulations to remove the Company Secretary function from the PCF category. However, the role of the Company Secretary is captured by the CF1 category..."*. The draft Guidance has, however, remained silent on the designation of a Company Secretary as a CF-1 role holder.

In relation to the roles captured by CF-1 in the draft Guidance, section 2.5 states that *"...the type of roles that could be considered to exert a significant influence are wide-ranging and will vary from firm to firm. Accordingly, the F&P Regulations are not prescriptive in this context, but the Central Bank anticipates that CF-1 roles holders are relatively senior individuals in firms"*. Since the publication of the FAQs, it has been industry practice to treat Company Secretaries as CF-1s. However, in many instances, Company Secretaries would not occupy "significant influence" roles, nor be senior individuals within firms. Additionally, many firms appoint third-party professional providers of company secretarial services as the Company Secretary. The role of these service providers is administrative in nature and have no decision-making powers and therefore, should not be captured as a CF-1.

Insurance Ireland recommends that the final Guidance should clarify the position on Company Secretaries and specify that where an individual occupies the position of Company Secretary and the firm considers that the individual also exercises significant influence on its affairs, they should be captured by CF-1.

Specific points on the Draft Guidance

Section	Draft Guidance (CBI)	Issue/Recommendation (Insurance Ireland)
Section 1.17	The MCC is closely linked with the F&P Standards, in that the MCC specifies certain minimum competencies that individuals must comply with when performing certain CFs. Accordingly, where an individual is non-compliant with their obligations under the MCC they also risk not complying with the F&P Standards.	As per Section 1.7.1 (h) of the MCC, an individual can make up any shortfall in CPD hours by the end of the following year. In such cases where an individual is temporarily non-compliant with CPD requirements but subsequently remedies the shortfall within the permitted timeframe, it would be beneficial for the Central Bank to confirm this is not a breach of the F&P Standards.
Section 2.5	<p>Roles Captured by CF-1: Exercising Significant Influence</p> <p>Any individual who is considered to exert a significant influence on the firm should be considered a CF-1. The type of roles that could be considered to exert a significant influence are wide-ranging and will vary from firm to firm. Accordingly, the F&P Regulations are not prescriptive in this context, but the Central Bank anticipates that CF-1 roles holders are relatively senior individuals in firms. In this regard, and on the basis that PCFs are a subset of CFs, and given the nature and seniority of the roles, all PCFs are considered CF-1s.</p>	<p>There is some suggested ambiguity in the draft Guidance. Our understanding is that the designation of a PCF will take priority.</p> <p>We would question the benefit of categorising PCFs as CF-1s. If the categorisation of a PCF as CF1 is simply an administrative exercise, it serves as no material benefit.</p> <p>If the intention is to undertake fresh due diligence to add CF-1/CF-2s this would be an additional burden on and may have operational impacts for firms.</p> <p>If the Central Bank proposes all PCFs must now also be listed as a CF-1, the Central Bank should confirm if the classification must be reflected in the firms' F&P Certificates of Compliance, the Statements of Responsibility ('SoR's') and the Management Responsibility Maps.</p>
Section 2.7	<p>Roles Captured by CF-2</p> <p>Noting the role of CF-2 is compliance-related, and given that PCFs are a subset of CFs, all compliance-focused PCF roles are considered CF-2 (as well as CF-1s). Examples include PCF12 (Head of Compliance), PCF-13 (Head of Internal Audit) and PCF-52 (Head of Anti-Money Laundering and Counter Terrorist Financing Compliance), as well as Head of Internal Audit (CUPCF-4).</p>	Similar to comments above, if the individual is in a PCF role, then they are clearly a CF-1 and CF-2. It is unclear from the draft Guidance whether firms must complete the due diligence again for the CF role, which seems to be unnecessary duplication as the premise should be if you are a PCF, you do not need to be listed as anything else.

<p>Section 2.9 Duplication</p>	<p>Page 26 of the draft Guidance</p> <p>Section 2.9: The roles listed above are not exhaustive. It is a matter for the firm to determine any additional roles that fall within CF-1 or CUCF-1.</p> <p>Section 2.9: However, as with CF-1, the above list is not definitive and there may be other roles which are relevant for inclusion as CF-2. In this regard, it should be noted that the designation as a CF is dependent on the functions performed by the individual rather than their job title or physical location in the organisation structure. Therefore, any individual who may be considered to be “ensuring, controlling or monitoring compliance” in the firm may fall under the scope of CF-2, as opposed to individuals working in the designated “compliance unit” only.</p>	<p>The draft Guidance appears to have a duplication of section 2.9.</p>
<p>Section 2.10</p>	<p>CF-3 to CF-9: Provision of a Financial Service</p> <p>The roles captured by CF-3 to CF-9 are those which relate to the provision of a financial service to a customer. While CF3, CF-4 and CF-8 are broad, wide-ranging roles likely to apply in all regulated firms, other CFs relate to specific sectors e.g. CF-5 and CF-6 relate specifically to insurance and reinsurance contracts, and CF-9 is relevant only in the context of insurance or reinsurance mediation. CF-7 specifically focuses on those roles that involve the management or supervision of individuals in roles which constitute CF-3 – CF-6.</p> <p><u>Footnote 21</u> - Any person to whom a regulated financial service provider provides or offers to provide a product or service that is the subject of the Consumer Protection Code, and any person who requests such a product or service.</p>	<p>Section 2.10 of the draft Guidance is contradictory and requires clarification.</p> <p>There is a contradiction within provision 2.10. The section appears to state that CF-3 to CF-9 only relate to products that are the subject of the Consumer Protection Code (CPC). The CPC explicitly states that Reinsurance business is out of scope. However, section 2.10 then states that CF-5, CF-6 and CF-9s are relevant in the context of reinsurance contracts and reinsurance mediation.</p> <p>Additionally, section 2.15 of the draft Guidance states <i>“The F&P Regulations do not limit CFs to functions performed in the State. Accordingly, a person performing a CF at a location outside of the State on behalf of a regulated financial service provider will be subject to Part 3 of the 2010 Act.”</i></p> <p>The final Guidance should clarify if all non-consumer facing roles including reinsurance business are in or out of scope of CF-3 to CF-9. Many (re)insurers operating cross-border including those primarily engaged in commercial lines would currently operate on the basis that these are CF roles subject to</p>

		<p>the F&P Regime, even where the customers are outside of Ireland and not in scope of the Consumer Protection Code.</p> <p>Additionally, section 2.10 refers to CF-5 and CF-6 relating to reinsurance contracts and reinsurance mediation; however, the upcoming Standards of Business and Consumer Protection Regulations specifically exclude reinsurance business from their scope. On this basis, the list of CF functions may need to be revised to no longer refer to reinsurance.</p>
Section 2.10	CF-8 specifically focuses on those roles that involve the management or supervision of individuals in roles which constitute CF-3 – CF-6.	Our understanding is that this is a typing error and should reference CF-7 instead of CF-8.
Section 2.11	<p>CF-3 to CF-9: Provision of a Financial Service</p> <p>It is worth noting that, in addition to the F&P Standards, the Central Bank has issued a MCC as set out in Chapter 1. The MCC sets out statutory minimum professional standards for staff of regulated firms when they are dealing with ‘consumers’ in relation to certain retail financial products.</p>	<p>Section 2.11 stated that the MCC sets out minimum professional standards for staff of regulated firms when they are dealing with “consumers”, however this is not the case.</p> <p>Part 2, paragraph 2.1(iii) of the MCC brings the activity of insurance distribution to non-consumers on behalf of insurance undertakings or insurance intermediaries in scope of the MCC, as well as reinsurance distribution on behalf of reinsurance undertakings. Similarly, paragraph 6 of Appendix 2 of the MCC makes reinsurance distribution on behalf of reinsurance undertakings or reinsurance intermediaries a “specified function”, within scope of the MCC.</p> <p>Reinsurance distribution and insurance distribution to non-consumers should not be subject to the MCC, on the basis that the MCC is a consumer protection measure regarding the sale of retail financial products.</p>
Section 2.22	<p>Identification by the Firm</p> <p>The full list of PCF roles is set out in the F&P Regulations. A firm is not required to create a PCF for the sole purposes of complying with its obligations under the F&P Regime where the role did not previously exist. A firm should review its roles and</p>	<p>It is welcome that existing PCFs stay in place and firms can undertake assessments on the PCF roles in the now expanded list to identify if any of them apply to existing roles held.</p> <p>The Central Bank should outline whether firms are expected to carry out a full</p>

	<p>determine whether any of the roles would meet the PCF roles as listed in the relevant F&P Regulations. Firms should apply substance over form when reviewing such roles and be mindful that it is the function, rather than the job title of the individual performing that function, that determines which PCF category, if any, the role falls under.</p>	<p>reassessment of their PCF list at this time. Firms will already be required to reassess their PCF lists following the second stage of the revisions of the PCF list.</p> <p>Similarly, there are a number of roles previously only applicable to UCITS Self-Managed Investment Company / Management Company which now appear to be required for insurers.</p>
<p>Section 2.30</p>	<p>PCF-49: Chief Information Officer (CIO) The Chief Information Officer (CIO) role is a function that is likely to enable the individual responsible for its performance to exercise a significant influence on the conduct of the affairs of a regulated financial service provider (other than credit unions) and will typically apply to the most senior individual at the regulated financial service provider other than credit union with responsibility for IT matters. This may be referred to as 'Chief Technology Officer' or other similar role titles in some instances.</p>	<p>Currently, the CIO role is applicable to high and medium-high PRISM rated entities and not for lower PRISM rated entities.</p> <p>As noted above, it is important that the Central Bank ensures that the role is not applicable across non-SEAR entities.</p>
<p>Section 2.33 & 2.34</p>	<p>PCF 51 Head of Market Risk</p> <p>2.33 A risk-based approach will be adopted whereby the Head of Market Risk role will only apply where the level of market risk is deemed to be material by the Central Bank.</p> <p>2.34 The role will only apply in credit institutions whereby the market risk of the credit institution satisfies either of the following quantitative criteria:</p> <p>a) €500m of market risk (including Credit Valuation Adjustment) risk weighted assets, or b) €100bn of notional derivatives traded.</p>	<p>While section 2.34 makes the standard for credit institutions clear for PCF-51, section 2.33 is an unpredictable, non-transparent and unclear standard, for non-banks. This PCF role could apply to (re)insurers based on the content of the Consultation paper.</p>

<p>Section 2.36 & 2.37</p>	<p>Temporary Officers</p> <p>Firms should have adequate succession/contingency plans in place for all of their PCF roles. However, if a PCF holder is suddenly and unexpectedly unable to perform their role due to exceptional circumstances, the firm can seek to have another suitable individual (a 'Temporary Officer') perform that role for a limited period. This requires prior agreement of the Central Bank under the relevant Regulation on Temporary Officers.</p> <p>The Central Bank expects that the Regulation on Temporary Officers will only be used in the most exceptional of circumstances, where an individual in a PCF role has had to suddenly and unexpectedly stop performing the PCF role. The Central Bank does not envisage that Temporary Officers would be appointed for circumstances that can, in the normal course, be planned for, e.g., maternity cover, cover for career breaks, etc. In the case of other foreseeable temporary circumstances, the PCF pre-approval process will apply.</p>	<p>In relation to temporary cover, firms have identified that the 3-month temporary appointment is too short a time period.</p> <p>Many of these situations are unpredictable for firms. It can take a certain amount of time for a firm to identify the correct individual to replace the person for the specific period of time.</p> <p>Additionally, the Central Bank needs to take into account that temporary measures may need to be in place before an individual can be put in place under the pre-approval process, firms need to consider the timeframes and notice periods an individual may have before a role can be taken up.</p> <p>We recommend that the 3 months should be extended to 6 months with a pragmatic and flexible approach taken to account for the circumstances of each case. This would also allow for cases of illness but where the person is due to return to their role. Additionally, the final Guidance should clearly set out what the timeline is for temporary officers.</p>
<p>Section 2.40</p>	<p>Outsourcing to a PCF to a Regulated Entity</p> <p>Where a regulated financial service provider (other than a credit union) outsources the performance of a PCF, it will not be required to obtain Central Bank approval in respect of the individual performing that function, provided there is a written agreement in place and the firm to which the function is being outsourced is regulated by the Central Bank or an equivalent authority in another jurisdiction as set out below (and in Section 1.5 of the F&P Standards).</p>	<p>It is unclear whether the entity to whom the Regulated Financial Service Provider (RFSP) is outsourcing to is required to be regulated in the same way as the RFSP.</p> <p>Previous Guidance has been unclear on this and we would welcome clarity from the Central Bank that, in terms of outsourcing, the third party only needs to be a regulated entity and not regulated in the same way as the RFSP.</p>
<p>Section 3.8 – 3.9</p>	<p>Standard of Financial Soundness 3.8:</p> <p>In assessing an individual's financial soundness, firms must consider whether the presence of any of the</p>	<p>In relation to the first point under section 3.8 on whether an individual has defaulted on any payment, is opaque, or is this a personal insolvency arrangement that is being referred to as a scheme of arrangement?</p>

	<p>following factors could compromise an individual's ability to carry out the role:</p> <ul style="list-style-type: none"> • The individual has defaulted on any payment due arising from a compromise or scheme of arrangement with their creditors or made an assignment for the benefit of their creditors, • The individual is subject to a judgment debt which is unsatisfied, either in whole or in part, whether in the State or elsewhere, • The individual is or has been the subject of a bankruptcy petition, whether in the State or elsewhere, • The individual has been adjudicated a bankrupt and the bankruptcy is undischarged, whether in the State or elsewhere, or • The individual was a director of an entity that has been the subject of insolvency. <p>3.9: The Central Bank considers that the existence of these factors may have an impact on an individual's reputation, integrity and honesty. It is not the case that firms are required to prove that an individual is financially sound, rather firms should perform checks to establish that none of the above factors impact an individual's ability to perform the role e.g. a judgement check/search of publicly available information that could call into question the financial soundness of an individual.</p>	<p>In relation to the final bullet point on whether the individual has been a director of an entity subject of insolvency, can the Central Bank clarify whether this is only in circumstances where it is not a voluntary winding up.</p> <p>Additionally, there are concerns as to whether all of these requirements are in line with GDPR legislation.</p> <p>As a broader point, the Central Bank need to take into account that under legislation in other jurisdictions, this information may not be available nor is an individual required to provide it. Clarity is needed on what the expectation is in these circumstances and how these are aligning with the table in Appendix 4.</p> <p>Additionally, section 3.43 of the draft Guidance contradicts section 3.9 and states that individuals must provide evidence of financial soundness.</p>
<p>Section 3.12</p>	<p>Due Diligence – Legal Obligation of a Firm Background checks: firms should perform comprehensive background checks, which include criminal record checks, where possible, credit checks and reference checks. The depth and scope of these checks depend on the seniority of the roles and the nature scale and complexity of the firm.</p>	<p>The draft Guidance specifies that firms should perform comprehensive background checks depending on the seniority of the roles and nature, scale and complexity of the firms.</p> <p>It is important that the Central Bank understand and acknowledge in the final Guidance that in other jurisdiction outside of Ireland there are limitations as to what firms</p>

		<p>are permitted to do within the legal environment of another country.</p> <p>Additionally, the draft Guidance includes criminal records checks as part of the background check. However, the criminal record check is only required in relation to sole traders in Ireland previously as part of the IQ. Therefore, this section is going beyond what was included in the previous Guidance. Also, criminal record checks in certain jurisdictions cannot be carried out by a firm and may only be requested by the individual themselves. It is not possible for firms to carry out criminal background checks in Ireland and there is no legal basis under GDPR for collecting such information.</p> <p>This requirement is not aligned with the table in Appendix 4 which provides that the garda checks and convictions check is a self-certification form.</p> <p>This section introduces a new requirement that is not practical in nature. The Central Bank should align the final Guidance with the table in Appendix 4 and allow firms to continue using self-certification forms. Alternatively, the Central Bank should provide further clarity on how firms are expected to gather such information which is not readily available.</p> <p>Additionally, in relation to reference checks, can the Central Bank clarify in the final Guidance that the timeframe for reference checks is employers within the last 10 years, similar to that provided in the Central Bank IQ.</p>
Section 3.12	<p>Due Diligence – Legal Obligation of a Firm</p> <p>On-going monitoring: firms should establish mechanisms for monitoring individuals' ongoing fitness and probity, such as regular performance reviews, mandatory training and self-declaration of any changes in personal circumstances that may affect their suitability for the role.</p>	<p>In relation to the performance reviews, the requirement to link performance reviews and F&P will be challenging for firms and would require significant Consultation with workers. The Central Bank should review this requirement and take a pragmatic approach in the final Guidance.</p>

<p>Section 3.16 & 3.17</p>	<p>Due Diligence</p> <p>3.16: While this guidance sets out the Central Bank's expectations in relation to due diligence, it does not purport to address every possible check and, as such, firms should apply an approach consistent with the nature, scale and complexity of the firm and the roles therein.</p> <p>3.17: Matters such as scale, complexity, risk profile, organisation structure, target market and so on are unlikely to be the same within any two organisations. Different functions will entail different responsibilities and different levels of knowledge and expertise. For this reason, this guidance cannot point to conclusive knowledge or expertise that is required for a particular function. The firm, using its own unique knowledge of the CF, and taking into account all relevant matters (including those listed above) can make the assessment as to what makes an individual fit and proper to perform, or continue to perform, the specific CF in that firm. This guidance sets out due diligence that the Central Bank expects would be undertaken by firms when assessing compliance with the Standards of fitness and probity. In all cases, it is for the firm itself to assess the information and exercise judgment to determine whether an individual is fit and proper to carry out a particular CF.</p>	<p>The requirements set out under sections 3.16 and 3.17 are subjective in nature and open to interpretation and may lead to inconsistencies across the sector in the application of due diligence.</p> <p>It would be beneficial if the Central Bank set out a de-minimis and / or provide a clear indication of the due diligence requirements for firms based on nature, scale and complexity.</p>
<p>Section 3.20</p>	<p>Due Diligence</p> <p>When considering compliance with Section 21 of the 2010 Act, the Central Bank will assess both the firm's analysis of what specific competencies and appropriate standard of fitness and probity are required for the performance of a relevant function or functions, and the steps that the firm has taken to satisfy itself and certify that the individual performing the relevant CF is so competent, and has the appropriate standard of fitness and probity to perform that CF.</p>	<p>The final Guidance should specify that this section is overlaid by section 3.16 and 3.17.</p> <p>It is important that section 3.20 acknowledges this overlay as section 3.16 and 3.17 state that firms need to apply consistent approaches that are consistent with the nature, scale and complexity of the firms and roles therein, and that firms have to exercise their judgement in determining whether individuals are fit and proper to carry out the function.</p>

		Therefore, the Central Bank's assessments should take all of these factors into account.
Section 3.20 – 3.22	The draft Guidance jumps from section 3.20 to 3.22.	
Section 3.23	<p>Probity – Due Diligence to be undertaken by a Firm</p> <p>In accordance with Section 21 of the 2010 Act, firms are required to undertake the appropriate due diligence when assessing an individual's probity, both prior to appointment and as part of the certification process, including but not limited to the following actions:</p> <p>...</p> <p>v) In relation to Section 5.2(b) of the F&P Standards, check against publicly available sources whether a judgment debt has been registered against an individual. Publicly available resources may include, for example, Experian, All Ireland Gazette or Stubbs Gazette. Where the individual has lived outside the State for more than six months in the previous five years, the firm should request that the individual provide a check from a publicly available source in relation to judgment debts from that other jurisdiction(s).</p>	<p>It should be stated that the expectation to check publicly available sources for debt judgment only applies to PCF, CF1 and CF2 and in all other instances self-certification is acceptable, as reflected in the table in Appendix 4.</p> <p>Individuals who have been outside of the State would be required to provide a check from a publicly available source, as the provision of this material from the candidate has the same value as self-certification.</p> <p>We propose the due diligence checks carried out must be thorough and fit for purpose but also be those reasonably available to firm.</p>
Section 3.34 & 3.35	<p>Criminal, Civil and Regulatory Actions</p> <p>It is imperative that individuals exercise a high degree of candour when completing the Individual Questionnaire, and that full and complete information is disclosed in response to each question, including in Section 5 of the Individual Questionnaire. All information must be disclosed in Section 5 of the Individual Questionnaire, regardless of when or where the relevant matter occurred.</p> <p>The firm must conduct appropriate due diligence of all disclosed on-going and past events, including in relation to criminal, civil, and regulatory actions.</p>	<p>In relation to sections 3.34 and 3.35, and the requirement for individual to exercise a high degree of candour, is the onus is on an individual to decide what is relevant to declare?</p> <p>Additionally, the Central Bank need to take into account that this is not possible to implement in all jurisdictions due to local laws.</p> <p>To avoid inconsistencies, it would be helpful if the Central Bank define appropriate due diligence for criminal and civil actions.</p>

<p>Section 3.37</p>	<p>Where a criminal, civil or regulatory action is on-going concerning the individual or a business or legal entity where the person holds or held a position of responsibility or influence, but has not yet concluded, the Central Bank will take into account the following factors:</p> <ul style="list-style-type: none"> i) What stage the action is at ii) The type of action e.g. criminal, civil or regulatory; iii) Any further information which is available in respect of the action; <p>Footnote 34: If it relates to a criminal action, the individual must disclose whether they have been formally charged or received a Court summons.</p>	<p>Insurance Ireland would caution the individual's presumption of innocence in any ongoing criminal, civil or regulatory actions must not be inadvertently subverted.</p> <p>Similarly, in the case of ongoing criminal actions, it may be inappropriate for firms to seek an explanation.</p>
<p>Section 3.40</p>	<p>As a general rule, if ten years have passed since the relevant action (save where a custodial sentence may have been imposed) and there are no other facts that raise material concerns regarding the individual's fitness and probity, the individual can be presumed to meet the F&P Standards. Notwithstanding the passage of time since matters occurred that may have given rise to a criminal, civil or regulatory action, the underlying facts may still be relevant to an assessment of fitness and probity. It is for the firm or for the Central Bank to assess on a case-by-case basis in the context of a particular assessment.</p>	<p>The ten-year look back provided in section 3.40 in the draft Guidance is contradictory.</p> <p>There is a ten-year presumption provided in this section; however, the draft Guidance then states that firms are required to look at the facts and circumstances of the case regardless.</p> <p>Additionally, it is unclear from what point the ten-year clock starts. For example, an individual may be sanctioned ten-years after the actual event. Therefore, does the ten years run from the event or from the date the individual was sanctioned.</p> <p>Our view is that if the timeline runs from the date the individual is sanctioned; this would be unfair on the individual.</p>
<p>Section 3.43</p>	<p>Financial Soundness- Due Diligence to be undertaken by the Firm</p> <p>The relevant individual should provide evidence of financial soundness in order to uphold expected standards. Any previous bankruptcy or insolvency should be investigated to ensure the individual and the firm is not vulnerable</p>	<p>There are concerns around the language of this section and the lack of clarity in relation to providing evidence of financial soundness, and what in practical terms could an individual produce as evidence of financial soundness.</p> <p>Additionally, there are concerns as to whether section 3.43 is in line with GDPR.</p>

	<p>to external pressures or financial compromise.</p> <p>Suggested Update: The relevant individual should provide evidence of financial soundness in order to uphold expected standards. Any previous bankruptcy or insolvency should be investigated to ensure the individual and the firm is not vulnerable to external pressures or financial compromise.</p>	<p>The Central Bank should delete the first part of the section.</p> <p>The requirement for individuals to provide evidence of financial soundness under section 3.43 contradicts section 3.9 which states that <i>"It is not the case that firms are required to prove that an individual is financially sound, rather firms should perform checks to establish that none of the above factors impact an individual's ability to perform the role e.g. a judgment check/search of publicly available information that could call into question the financial soundness of an individual"</i>.</p> <p>The draft Guidance appears to contain more onerous requirements than the list of due diligence in Appendix 4. In the absence of deletion, Appendix 4 should contain a definitive list of the due diligence requirements that firms are required to undertake, and ensuring the right balance is maintained between ensuring an individual is fit and proper to carry out their role and not extending unnecessary intrusion into an individual's personal affairs that is not justifiable for the purposes of the role they will undertake.</p>
Section 4.1	<p>Key Considerations of F&P Assessment</p> <p>In addition to requirements outlined in other chapters of this guidance, the Central Bank has set out below its high-level expectations, which are relevant both for firms when performing F&P assessments and for PCF assessments performed by the Central Bank, with regard to:</p> <ul style="list-style-type: none"> • Time commitments, • Accountability, • Conflicts of interest, • Independence of mind and independence, • Inherent responsibilities of PCFs, • Level of experience required for certain PCFs, • Level of knowledge/qualifications required for certain PCFs, and 	<p>The draft Guidance illustrates 'Accountability' and 'Collective Suitability, including diversity' as some of the requirements relevant to firms when performing F&P Assessments. The Central Bank should elaborate on how firms are expected to assess and document these requirements in practice. The final Guidance should ensure that it does not contradict the requirement for collective suitability by rigidly applying level of experience requirements to the detriment of diversity and access to required expertise.</p>

	<ul style="list-style-type: none"> • Collective suitability, including diversity. 	
Section 4.5 & section 4.32	<p>Corporate Governance Requirements</p> <p>4.5: Existing Central Bank Corporate Governance Requirements and certain legislation set out requirements and expectations in relation to time commitments. Where specific requirements, guidance or legislation, on time commitments do not exist for a given sector, firms should consider best practice in line with the requirements and guidance set out below.</p> <p>4.32: Where Corporate Governance Requirements do not exist for a particular sector, the definition of independence as set out in the Central Bank's Corporate Governance requirements above in assessing the independence of individuals proposed for PCF-2B should be applied.</p>	<p>Sections 4.5 and 4.32 of the draft Guidance provides that where corporate governance requirements do not apply to firms, that the firms should take what is in the corporate governance requirements as best practice and apply them.</p> <p>This is potentially extending requirements to firms where they were not originally included.</p>
Section 4.22	<p>Conflicts of Interest</p> <p>The firm is responsible for identification and assessment of existing and potential conflicts of interest as part of the due diligence. In assessing conflicts of interest, the Central Bank expects firms to take into account at least the following:</p> <ul style="list-style-type: none"> • Any personal relationship with the firm • Any professional relationship with the firm • Any financial interest in the firm • Any affiliations to other firms • Any political influence that may affect the firm 	<p>It would be beneficial for the Central Bank to provide in relation to "political influence", some practical examples.</p> <p>For example, are firms only expected to identify whether the individual is considered a politically exposed person (PEP) or does this go further, where an individual declares links to a political party as this may have no impact on fitness & probity.</p>
Sections 4.24-4.26	<p>Independence of Mind and Independence</p> <p>4.24</p> <p>The assessment of independence of members of the board, should differentiate between the notion of "independence of mind", applicable to</p>	<p>Is it the intention that this assessment is completed prior to the appointment or as part of ongoing board effectiveness reviews?</p> <p>It may be very difficult for a firm to assess and demonstrate compliance with the independence of mind requirement. In the absence of a member of the board regularly</p>

	<p>all members of a firms' board, and the principle of "being independent", required for certain members of the board.</p> <p>4.25 Independence of mind ensures that independent judgement is exercised. All members of the board should have independence of mind regardless of the firm's size, internal organisation and the nature, scale and complexity of its activities, and the duties and responsibilities of the specific position.</p> <p>4.26 The assessment of independence of mind of the members of the board, should include whether all members of the board have the necessary behavioural skills, including: (a) courage, conviction and strength to effectively assess and challenge the proposed decisions of other members of the board; (b) being able to challenge proposed decisions; and (c) being able to resist "group-think".</p>	<p>challenging proposed decisions, how does the Central Bank suggest assessing this requirement?</p> <p>It should be made clear that firms should be able to satisfy themselves at the point of interviewing or otherwise assessing a candidate prior to their appointment that they possess the characteristics required by 4.26, rather than applying the requirement to assess this on an ongoing basis.</p>
Section 4.31	<p>The Central Bank's Corporate Governance Requirements The following criteria shall be considered and given reasonable weight when determining if a director is independent:</p> <p>...</p> <p>d) Whether the individual represents a significant shareholder,</p> <p>...</p> <p>f) Any additional remuneration received in addition to the director's fee, related directorships or shareholdings in the relevant firm, and</p> <p>...</p>	<p>In relation to subparagraph (d), can the Central Bank clarify that appointments of directors by shareholders does not mean they represent them, or imply they are not independent, as the duties of directors under company law are first and foremost to the company?</p> <p>In subparagraph (f), the term 'remuneration' is not defined. Additionally, it is unclear what else is considered a source of remuneration with firms that would undermine the independence of a director.</p>
Section 4.34	<p>Requirements of a Role/Inherent Responsibilities In the first instance, the assessment of whether or not an individual is competent and capable to carry out a particular PCF role will be focused on the requirements of the role. In this regard, Inherent Responsibilities of PCF roles that are captured by the</p>	<p>Certain firms are exempt from SEAR requirements. However, this section appears to now bring firms exempt from SEAR into scope for the requirements.</p> <p>It is important to recognise that this Guidance does not override the SEAR regulations. Therefore, we propose that the Central Bank align the final Guidance in</p>

	SEAR have been defined (within the SEAR Regulations), and where relevant in Table 3 to Table 8 (below). While the SEAR and the Inherent Responsibilities under the SEAR Regulations apply to certain sectors only, the Inherent Responsibilities define relevant roles in broad terms and as such the Central Bank considers that they are relevant for all such roles across all sectors.	section 4.34 with SEAR regulations, which excludes certain firms from its scope, to ensure consistency between the Guidance and regulatory framework.
Section 4.43	<p>Level of Knowledge and Experience</p> <p>There are a number of factors which are relevant in an assessment as to whether an individual has an appropriate level of experience for a role. For example, in addition to length of service, there are a number of considerations to be taken into account including, in relation to the individual's previous roles:</p> <ul style="list-style-type: none"> • The nature, scale and complexity of the firm(s) in which the individual held the role(s); • Their actual responsibilities; • The span of their control/number of subordinates; • The nature of the activities of the firm; and • The actual relevance of the recent experience gained to the role being applied for. 	<p>The Central Bank should take into consideration that it may not always be possible for a firm to take into account all of the considerations detailed in the draft Guidance, particularly in cases where the area may need to be built up by a PCF.</p> <p>There will also be specific circumstances where an individual does not hold the years' of experience set out, but may nevertheless be considered suitable for the role by a firm, for example, role or firm specific factors that should be taken into account.</p>
Section 4.45	<p>Level of Knowledge and Experience</p> <p>These thresholds for the presumption of sufficient experience currently apply to credit institutions for which the ECB is the competent authority for and can be considered a benchmark for other Central Bank regulated firms which could be deemed to have a similar risk profile or are similar in terms of their nature, scale and complexity.</p>	Insurance Ireland questions the practicality of this section from a cross-sectoral perspective.
Section 4.49: Board Members	<p>Table 4: Non-executive director – level of experience</p> <p>“Three years of recent relevant practical experience at high-level managerial positions...”</p>	The draft Guidance requires NEDs and INEDs to have practical experience in a recent managerial role.

	<p>Table 5: Independent non-executive director – level of experience “Three years of recent relevant practical experience at high-level managerial positions...”</p>	<p>However, there are a number of individuals who hold INED and NED positions but who have not recently worked in a recent managerial role. These individuals are suitable for the position and hold suitable experience and knowledge and been sitting on a number of boards.</p> <p>The requirements in this section may have unintended consequences on diversity and inclusion and restrict a firm’s ability to bring diversity to a Board. The Board, or Nomination Committee where one exists, is required to consider diversity in Board appointments and to maintain a diversity policy per section 14.9 of the Corporate Governance Requirements for Insurance Undertakings 2015.</p> <p>In order to avoid a situation where only professional NEDs and INEDs are being appointed, the final Guidance should be updated to allow for the same flexibility that is provided under section 4.48, which states <i>“It is also acknowledged that there may be sectoral or firm specific circumstances where an individual does not hold the years of experience set out in Table 3 to Table 8 below, but may be considered suitable for the role due to, for example, firm or role specific factors that should be taken into account. Accordingly, an individual who does not hold the years of experience set out could still be considered fit and proper where there is an appropriate justification”</i>.</p> <p>The Central Bank should allow firms to determine whether the NED or INED has sufficient experience and knowledge to carry out the role and this should not be based off a specific or prescriptive number of years of recent experience. The final Guidance should also clarify that none of the changes in this section will apply retrospectively to in situ role holders.</p>
<p>Section 4.49: Board Members</p>	<p>Table 3: Executive director – level of experience For firms subject to the ECB assessment/ firms (other than credit unions) which are similar in terms of their nature, scale and complexity: Five years of recent practical experience in areas related to banking</p>	<p>The requirement for executive directors to have five years of recent practical financial services experience may have the unintended consequence of limiting the number of individuals who can apply for the role and who may be equally as qualified.</p>

	<p>or financial services at senior level managerial positions.</p> <p>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.</p>	<p>The requirement only focuses on the number of years' experience in the financial services and will unintentionally discourage the appointment of individuals with significant and beneficial experience from other industries.</p> <p>This section should be updated to allow for the same flexibility that is provided under section 4.48, which states <i>"It is also acknowledged that there may be sectoral or firm specific circumstances where an individual does not hold the years of experience set out in Table 3 to Table 8 below, but may be considered suitable for the role due to, for example, firm or role specific factors that should be taken into account. Accordingly, an individual who does not hold the years of experience set out could still be considered fit and proper where there is an appropriate justification"</i>.</p> <p>This requirement will have negative impacts on the diversity objectives of firms and the Central Bank. In our experience, senior individuals have transferable skills between industries. Placing such a limitation could mean losing flexibility to bring in senior individuals with experience in other industries needed to deliver strategies for the future. The particulars of the financial services industry can be obtained through well run training programmes and courses.</p> <p>We suggest that it is preferable that executive directors have 5 years of recent practical experience in areas related to financial services at senior level managerial positions. However, where there already exists sufficient financial services experience amongst the executive directors, reflecting the objectives of diversity, individuals from other industries, with transferable skills and relevant experience are justifiable.</p> <p>The Central Bank should provide further information in the final Guidance as to what the Central Bank's expectations are in relation to the existing PCF population. If the final Guidance specifies a number of practical years' experience that is required for executive directors, it should also specify that none of the changes in this section will apply retrospectively to in situ role holders.</p>
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<p>Section 4.50</p>	<p>Head of Finance – level of knowledge Sufficient level of experience commensurate with the requirements of the role. The Head of Finance of a firm (other than credit unions) must be a member of a recognised accountancy body. In exceptional circumstances a non-qualified accountant may be considered.</p>	<p>The Head of Finance function has been limited in the draft Guidance to qualified accountants. For the Insurance sector, practicing members of the actuarial professions are equally appropriate and qualified for the Head of Finance position and not just in exceptional circumstances and the Central Bank has consistently recognised such individuals as appropriate. Table 8 should be updated to reflect this position.</p> <p>Several European Union countries place a strong emphasis on practical experience and relevant qualifications in accounting, sometimes even over formal membership in accounting bodies. There are concerns that the requirements as drafted would impact on European Union fundamental freedoms.</p> <p>To resolve these concerns, we suggest that the Central Bank amend the draft Guidance to “... must be a member of a recognised accountancy body or <i>actuarial association or have attained equivalent practical experience or relevant qualifications</i>”.</p> <p>The Central Bank should also clarify that none of the proposed changes here will apply retrospectively to in situ role holders, as to do so would cause significant issues for firms.</p>
<p>Section 4.50</p>	<p>Head of Actuarial Function (HoAF) – level of knowledge Prerequisite level of experience commensurate with the requirements of the HoAF role with a minimum of:</p> <ul style="list-style-type: none"> • Five years (within the last ten years) relevant actuarial experience. • One year’s recent experience of reserving relevant to the market in which the majority of business is written. • One year’s experience of any exotic or specialised type of business written. <p>The HoAF must be a member of a recognised actuarial association. The Central Bank’s expectation is that the role should be carried out by a</p>	<p>The Head of Actuarial Function has been limited in the draft Guidance to qualified actuaries from a recognised actuarial association.</p> <p>The Central Bank should provide clarification on how it will ensure that, from a European Union fundamental freedoms perspective, the requirements do not impact on the freedoms under the legislation.</p> <p>It is important that the Central Bank take into account that in certain other jurisdictions they do not have the same qualifications as Ireland and the UK. The Central Bank should specify that qualifications equal to a qualified actuary in Ireland are recognised, as individual in other jurisdictions who are equally as qualified may not have the official title of “actuaries”.</p>

	<p>qualified actuary. In exceptional circumstances a non-qualified actuary may be considered.</p> <p>The HoAF should be capable of influencing Board decisions in key areas of actuarial expertise and of driving risk awareness and an appropriate risk culture within the undertaking.</p>	<p>The minimum numbers of years' experience cited as a prerequisite are too prescriptive. They do not allow sufficient flexibility to allow for circumstances whereby a very experienced actuary might not meet the exact requirements, neither does it seem to allow for knowledge that candidates may have acquired outside their previous roles (e.g. studies, CPD etc.)</p> <p>Additionally, the Central Bank should also clarify what is meant by 'recognised actuarial association' and whether it is limited to Irish associations.</p>
<p>Section 4.50</p>	<p>Head of Internal Audit (HoIA) Role Summary</p> <p>Responsible for assessing:</p> <ul style="list-style-type: none"> • The appropriateness of the firm's governance framework; • Whether existing policies and procedures remain adequate and comply with legal and regulatory requirements and with the risk strategy and risk appetite of the institution; • The compliance of the procedures with the applicable laws and regulations and with decisions of the board; • Whether the procedures are correctly and effectively implemented (e.g. compliance of transactions, the level of risk effectively incurred, etc.); and • The adequacy, quality and effectiveness of the controls performed, and the reporting done by the defence business units and the risk management and compliance functions. 	<p>It would be beneficial if the role summary of the Head of Internal Audit (HoIA) aligned with the definitions and terminology for internal auditing set out in the Internal Audit Standards from the Institute of Internal Auditors. This will prevent any unintentional confusion and ensure harmonised standards.</p> <p>For example, rather than referring to the HoIA being responsible for assessing the appropriateness of the firm's governance framework; we suggest the wording from the Institute of Internal Auditors be included here i.e. the HoIA is responsible for "evaluating and improving the effectiveness of the governance processes".</p> <p>The Central Bank should also specify what is meant by "the defence business units", which is not a defined term or common term used by Internal Auditors.</p>
<p>Section 5.30-5.33</p>	<p>Material Changes or Concerns</p> <p>5.30</p> <p>In addition to the requirement for firms to obtain confirmation that a CF role holder has agreed to comply with the Standards of fitness and probity under Section 21 of the 2010 Act, a firm should require individuals performing</p>	<p>The draft Guidance introduces a requirement for firms to report to the Central Bank where there has been a disciplinary action, such as a formal warning, even where this does not relate to F&P.</p> <p>The Central Bank should specify in the final Guidance that these formal written warnings</p>

	<p>CF roles to notify the firm without delay if for any reason the individual no longer complies with the Standards of fitness and probity. Suggested wording in this regard is included in the agreement to comply with the Standards of fitness and probity at Appendix 3.</p> <p>5.31 Where a firm becomes aware that there may be concerns regarding the fitness and probity of an individual performing a CF role, the Central Bank expects the firm to investigate such concerns and take action as appropriate without delay.</p> <p>5.32 The firm should also notify the Central Bank without delay of material changes and of any action taken, including how they have satisfied themselves that the individual continues to comply with the Standards of fitness and probity.</p> <p>5.33 While there is no exhaustive list of the types of action that must be notified to the Central Bank these would include, for example, the issuing of a formal written warning, suspending/dismissing an individual for fraud or reducing/recovering some of their remuneration as a result of issues relating to fitness and/or probity.</p>	<p>only need to be notified to the Central Bank where they relate to F&P.</p> <p>The Central Bank should ensure that these sections do not seek to reintroduce the notification process originally proposed under the IAF, related to the notification of disciplinary action, which was withdrawn following consultation, as noted in Feedback Statement Enhanced governance, performance and accountability in financial services (CP153), page 40.</p> <p>Can the Central Bank address the alignment between guideline 5.32 and 5.33 and the following requirements:</p> <ul style="list-style-type: none"> • The Central Bank Reform Act 2010 (Section 21(6)) Regulations 2024 [S.I. 2 of 2024], regulation 9, which only requires notification to the Central Bank in circumstances where a firm has revoked, or decided not to renew a certificate of compliance, in whole or in part, because an individual is no longer considered fit and proper and that notification extends only to the decision of the firm. • The Central Bank Reform Act 2010, section 53F(d) whereby PCFs/CF1s are required to report suspected 'prescribed contraventions or any other breach of obligations under 'financial services legislation' or suspected criminal offences. • The Central Bank (Supervision and Enforcement) Act 2013, section 38(2) requires individual 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.
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2. (a) Do you agree with the proposed revisions to the PCF list?

Insurance Ireland welcomes the Central Bank's effort to address and remove duplication within the PCF listing. While a consolidation of the PCF list could potentially be beneficial for firms and allow for greater consistency, the current proposed PCF list in the Consultation has raised concerns and may have unintended consequences. Roles previously only used in one

sector may now be made mandatory in other sectors where they are not relevant e.g. PCF 39A to F.

(b) Have you identified any issues with this revision?

While the Central Bank has taken steps to reduce the overall listing, the number of PCF roles applying to each sector is proposed to increase, representing an increased regulatory burden rather than a lesser one.

An issue which has been raised by Insurance Ireland previously and remains an issue with the revised list is the risk that a lack of clarity leads to a CEO being overwhelmed or overloaded with excessive or inappropriate responsibilities. It is still unclear from the draft Guidance how an individual who is not a PCF holder and who may have core responsibilities / prescribed responsibilities within an organisation is to be treated for the purposes of the Framework – e.g., the Head of Human Resources or the Head of Propositions. This leads to a risk that PCFs are overburdened with Prescribed Responsibilities (PRs), particularly for smaller firms such as cross border or firms in run off, or indeed that the CEO may become a concentration for the PRs. Therefore, there is a real risk that the same few people are subject to the responsibilities that are not necessarily relevant for them but need to be assigned to someone in the organisation.

This issue of the majority of responsibilities sitting with the CEO will continue with the revised list and the removal of the sector specific categorisations will create an additional regulatory burden on firms. There remains a risk that this will lead to a chilling effect on recruitment for these roles. No rationale has been provided by the Central Bank as to how the changes enhance the effectiveness of the Fitness and Probity regime for the benefit of consumers and the overall financial system.

The removal of the specific categories will have an unintended consequence of creating additional administration both for the Central Bank and firms. We strongly believe that the Central Bank should retain the sector specific categories within the PCF listing. It is vital that the Central Bank recognises that while some of the PCF roles exist across sectors, e.g., a Head of Market Risk or Head of Asset Liability Management, not all such roles are equally material to each sector to justify categorisation as a PCF. Retaining the sector specific categorisations also provides greater clarity and certainty for firms and removing these categories goes against the spirit of what the Consultation is aiming to achieve.

The proposed revised PCF list now includes PCF-45: Head of Safeguarding Oversight. Similarly, the revised list introduces PCF-26: Head of Regulated Markets. However, no further guidance has been provided on what these roles entail. It would be beneficial if, where there are non-industry specific terms used, such as 'safeguarding oversight', that the Central Bank provide further information.

The revised PCF list sets out PCF-39F: Designated Person with responsibility for Regulatory Compliance. However, it is unclear what this role means, and clarity would be welcome. It is unclear whether this is a first or second line role or whether this is the same role as Head of Compliance. There is similar confusion in relation to PCF-39B: Designated Person with responsibility for Operational Risk Management. This role is specific to investment, and it is unclear how, if at all, they apply to insurance undertakings.

Summary

While the industry welcomes a review of the PCF list, we do not feel that the two-stage approach by the Central Bank will be beneficial. We would welcome one comprehensive review of the PCF roles rather than the firms implementing the changes set out in the Consultation followed by another review over the next couple of years.

We believe that the Central Bank should refrain from removing the sector specific categories and revisit options for simplifying the PCF listing as part of the planned substantive review in 2025 to 2027.

ENDS.