



**Irish Banking Culture Board Submission on the Central Bank of Ireland's–
"Consultation Paper 160 on Amendments to the Fitness and Probity Regime"**

7th July, 2025

Introduction

The purpose of the Irish Banking Culture Board (IBCB) is to work with our three member banks (AIB, Bank of Ireland and PTSB) and wider industry stakeholders to build trustworthiness, in order to assist the banking industry in regaining the public trust so badly damaged in the past. The retail banking sector in Ireland has made steady progress over the past number of years with regard to cultural change and regaining the public's trust.

A sector composed of Fit & Proper individuals is a prerequisite for trust. To protect trust, it is imperative that stakeholders recognise that the banking industry's commitment to behavioural and cultural change is more than just words, but rather a real commitment that involves changes to how business is done and is underpinned by a framework which enables individuals, as well as organisations, to be held to account. In this context, the IBCB and our member banks are strong advocates of an effective Fit & Proper (F&P) regime in Ireland. There is generally strong support for the regime across the Irish Financial Services sector. The integrity and competence of individuals employed within the sector is paramount for the continued development of a robust and effective Financial Services system in Ireland, founded on accountability, effective risk management and overall positive culture and behaviour.

This submission reflects the views of the IBCB Board and draws on issues highlighted to us by subject matter experts drawn from across our member banks and by perspectives and expertise from Professor Blanaid Clarke of Trinity College Dublin and Deputy Chair of the IBCB.

The IBCB would like to commend the CBI on both conducting the independent review of the F&P process conducted by Dr. Andrea Enria, and for the transparency in sharing the resultant recommendations. This approach is indicative of the CBI's commitment to ensuring the F&P process remains fit for purpose while being fair and appropriate to in-scope applicants and relevant regulated financial services providers.

In the period since the commencement of the F&P regime in 2010, we consider that it has contributed positively to enhanced culture and behavioural change across the sector, most particularly via ensuring that candidates considering senior roles within financial institutions are explicitly required to be capable of demonstrating how they are both fit and proper. A clear benefit of these requirements is that proposed senior role holders are obliged to upskill in the various aspects of risk management, governance and regulatory compliance relevant to their institution – rather than these disciplines being regarded as the primarily responsibility of risk functions, which was often the case prior to the introduction of the F&P regime. In our opinion, this has led to greater levels of risk awareness and a heightened value placed on corporate governance and effective risk management generally across senior leaders within the sector.

The F&P process has also laid solid foundations for the Individual Accountability Framework (IAF) regime introducing requirements in relation to clarity of responsibility, skills and expertise and reflections on accountability in the context of an individual's involvement in prior conduct/decisions which were subsequently the subject of CBI investigation and potentially enforcement activity.

The IBCB's response to the specific questions put forward in CP160 are outlined below.

1.

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

Yes. The draft Guidance on the Standards of Fitness and Probity is a useful guide.

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

The IBCB's response is primarily provided in the context of the work we do with our member banks who are each required to implement and comply with the requirements and who have advised that the additional clarity provided is welcomed.

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

While it is acknowledged that the guide is not intended to be a comprehensive 'how-to' manual, there are some additional areas which we consider may benefit from being included to enhance clarity. We have split these into broad categories below:

(a) Technical and system related items

During the industry engagement event hosted by the CBI on 30th May on this consultation – a number of technical and system related items were discussed (for example, the different types of user profiles and the roles assigned to each user within an organisation) which were deemed very beneficial by attendees. Several of these items were described as pivotal to a smooth application process, yet they do not feature in the guidance. We suggest that a "technical guide" could be added as an appendix to the document which could provide some assistance to anyone commencing an F&P application. This could perhaps include high-level descriptions of the most common errors and reasons forms and profiles are deemed incomplete.

This section could also include the information around completing a user-profile, and the fact that the individual owns this profile page and should keep it up to date, similar to a CV. Additionally, a description of how the technical system works and the various roles and responsibilities used throughout each step of the process could also be beneficial – e.g. nominee is required to do ABC, proposer is required to do XYZ etc.. Where there are other additional roles assigned to organisations (administrator, for example) their key technical capabilities should also be documented.

(b) Relevance of past events

Section 2.4 of the Consultation paper (page 10) refers to a “look-back period” of 10 years (save where a custodial sentence may have been imposed). However, this time-frame and associated guidance is not documented in the Draft Guidance. For the avoidance of doubt and the provision of clarity, the agreed “look-back period” should be stated in the guidance.

(c) Role Summaries

While acknowledging that the inherent responsibilities contained within the draft Guidance are derived from the SEAR Regulations, the separation of responsibilities between “Directing the business of the firm” for Executive Directors and “Overseeing and monitoring the strategy and management of the firm” for Non-executive Directors has the potential to cause confusion when broken down into role summaries. One Summary of the Role of the Non-executive Director is “to participate actively in the board’s decision making process”. This should clearly be a responsibility of all directors. Although board committees are frequently comprised exclusively of non-executive directors, if this is not the case, executive directors should be expected “to participate actively in board committees (where established)”.

(d) Standard of Probity

While the provisions on Criminal, Civil and Regulatory Actions (para.3.34-3.41) are helpful, greater guidance could be provided as to the extent to which non-financial conduct should be considered by firms in the context of probity. This could include both non-financial conduct connected to work such as bullying and sexual harassment and behaviour in private or personal life. The reference in para.1.39 of the Draft Guidance appears to shed some light on this in that it refers to “the requisite integrity to be trusted in their roles”. This is a topic on which the Financial Conduct Authority in the UK is currently consulting (CP25/18) and one which a consistent approach amongst regulated firms in Ireland is important.

(e) Collective Suitability

The manner in which the CBI will consider collective suitability in practice in its assessment of an individual applicant would also benefit from further clarification. In the AB v Central Bank of Ireland decision (2024), the Irish Financial Services Appeals Tribunal suggested that “at a minimum there seems to be a tension between whether on the facts of this case the [CBI] was to consider the Appellant’s individual skill-set, or in the context of the board’s as a whole and collectively”. It was unclear to it the extent to which the director’s skill set was to be seen “individually” as opposed to that of a member of a board which had various skill sets. Para 4.58 of the Draft Guidance could make this clearer as it currently refers only to the assessment by the firm and by the CBI for supervisory purposes.

(f) Provision of constructive feedback

During the industry engagement session on CP160, there was some discussion regarding the proposed provision of “constructive feedback” from the CBI to applicants. If this is intended to be an additional

outcome of an application process, it would be useful for this to be documented with some accompanying details to provide clarity on how this will work in practice – for example, is it the case that approval may be subject to the completion of a specified further step such as training to remedy a defect in knowledge or experience and until this is done the applicant cannot take up their role (akin to a condition precedent)? Alternatively, will the applicant be permitted to start but required to take a further step within a specific time or else the approval expires (akin to a condition subsequent)? In each of these cases, how should progress in completing this step be monitored, determined or reported? Resti in his advice to the European Parliament on the fit and proper regime (Andrea Resti, Is the Current “Fit and Proper” Regime Appropriate for the Banking Union? (Brussels, European Parliament: 2020) suggested that consideration might be given to “conditional positive decisions” where applicants are accepted but requested to participate in a training programme which could be followed by an interview where the training results are assessed by the ECB.

(g) Next review of the revised F&P process

CP 160 and the associated draft guidance do not refer to the next review of the F&P process. While the ongoing review is comprehensive with new elements introduced to the process on foot of the Enria recommendations (gate-keeping committee for example), perhaps a post-implementation review after a specified period of operation of the new approach should also be scheduled now to ensure the process is working as intended. Given the linkages to SEAR and the scheduled review of this in 2027, should consideration be given to aligning both reviews together, or, with a review of the F&P process to follow shortly after the SEAR review has concluded. We are of the view, regardless of the timing, that a scheduled review would be beneficial, as it will signal that this is an evolution as opposed to a once off review.

(h) Process Flow-chart

The updates to the F&P process and the additional clarity being provided with regard to the interview process and timelines are welcomed. We consider that it would be beneficial to document the key elements (including indicative timelines) in a process flow-chart - perhaps as either an appendix or a stand-alone PDF on the CBI website. A flow-chart could serve as a useful reference point for anyone commencing an F&P application and would also aid understanding throughout in-scope firms. From reviewing the “Fitness and Probity Gatekeeper Process Manual” there is a similar flow-chart included as Appendix 2. However, this does not include the technical details relating to interviews (attendees from the central bank, the provision of the agenda in advance and indicative duration of 90-minutes etc.). A comprehensive flowchart which detailed the process from start to finish would be useful for candidates, proposers and the proposing organisations.

2.

(a) Do you agree with the proposed revisions to the PCF list?

While we are broadly supportive of the intention to simplify the PCF list, our member banks have highlighted to us that they consider further clarification is required as to the practical and operational consequences of this simplification. A number of roles which previously were not relevant to Credit Institutions, or more broadly, are now likely in scope resulting in the below queries from our member banks e.g.:

PCF-28	Branch Managers within the State	Is this now applicable to all Branch Managers ? regardless of branch size/ autonomy ??
PCF-39A	Designated Person with responsibility for Capital and Financial Management	Are these roles required for all institutions? Are these roles required even where there is already a more senior PCF role-holder in place to whom these role holders would report (e.g. Operational Risk, is a core element of the CRO role, similarly Regulatory Compliance is a core element of the Head of Compliance), while these existing PCF role holders will likely have a member of their senior management team focus on this area, is it required to have a subordinate PCF also?
PCF-39B	Designated Person with responsibility for Operational Risk Management	
PCF-39F	Designated Person with responsibility for Regulatory Compliance	
PCF-26	Head of Regulated Markets	
PCF-29	Head of Trading	

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

We're broadly supportive of refining and streamlining the list, however – where this gives rise to additional queries from in-scope firms, clarity should be provided to avoid any unintended consequences or varied interpretation by the industry.