



CP – 160 – Central Bank Consultation Paper on Amendments to the Fitness and Probity Regime

Irish Life Group Submission – July 2025

INTRODUCTION

ABOUT IRISH LIFE

Canada Life was founded as Canada's first life insurance company in 1847. It has now grown into one of the world's largest and most financially secure providers of life insurance. Since 2003, Canada Life has been a part of Great-West Lifeco Inc., one of the leading financial service providers in Canada. Great-West Lifeco Inc. cares for more than 28 million clients around the world.

Irish Life empowers its customers to look to the future with more confidence and certainty. We manage the financial needs of more than 1.6 million Irish customers. We think ahead to find opportunities and anticipate challenges to help deliver more security and certainty for their futures. We have over 80 years' experience serving corporate and private customers in Ireland. So we pride ourselves on having a deep understanding of our customers' needs, interests and concerns for themselves and their families.

Irish Life Group (ILG) includes *inter alia* Irish Life Assurance and Irish Life Health as well as its associated companies Irish Life Investment Managers and Setanta Asset Management. We currently have 2,400 people working at our campuses in Dublin and Dundalk, and we continue to grow.

Submission

Irish Life Group firmly believes in the benefits of a strong consumer focussed regulatory framework; however, it believes this needs to be carried out in without unnecessarily increasing costs or duplicating regulation. The Draghi Report on EU Competitiveness published in September 2024 recommended *inter alia* that there was a need to reform decision making within Europe, including the need to review the level of regulation. Following from this Report the European Commission published its revised strategy which had an aim of:

- At least a 25% reduction in regulation for all companies and at least a 35% reduction for SMEs;
- Reinforced the need to have competitiveness checks systematically integrated to impact assessments for relevant legislation; and
- The aim of simplifying regulation overall.

EIOPA has also endorsed the objective of simplifying regulation and reducing administrative burdens to enhance European competitiveness and in April published its approach to supporting this objective. Whilst to date there has been no similar objective adopted at national level or by the Central Bank, we would hope that there was local support for the European aims. We would note that the current Consultation comes, following changes made by industry through the 'Dear CEO' letter issued in 2019 and additional and extensive changes required under the Individual Accountability Framework. In addition, 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. Firms are still in the process of adapting to the additional requirements created by the recent changes and it is potentially counterproductive to introduce new requirements before these changes are firmly embedded.

While it is recognised that following the Enria Report some consolidation changes were proposed, the extent, nature and scope of the revisions now set out within the draft guidance appear to go far beyond these recommendations. It is notable that, at an overall level, requirements are increasing for industry with no regard to the impact that these will have on costs and competitiveness. . The proposals are likely to raise concerns within Firms in relation to stability around the regulatory framework which contrary to European objectives appears to be ever increasing.

1.

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

No, the nature and extent of the proposed revision to the draft Guidance appears to go far beyond what was proposed by the Enria Report and were not part of the recommendations made by industry in the Report. The compatibility of the proposed changes against the stated objectives from the European Commission and EIOPA on simplification and harmonisation need to be assessed.

As the Central Bank has maintained in 3.17 of the draft guidance (p47/113), matters such as scale, complexity, risk profile, organisation structure target market and so on are unlikely to be the same within any two organisations.....In all cases, it is for the firm to assess the information and exercise judgement to determine whether an individual is fit and proper to carry out a particular CF. The CBI expectations and enhancements set out in the draft guidance does not take account of the nature, scale and complexities on individual firms and is likely to result in too narrow a pool of talent/experience to select from. There is a high probability this will reduce promoting from within, thus limiting succession planning capabilities and goes against the bank's diversity and inclusion focus. In addition, care needs to be taken to ensure that the regulatory requirements do not discourage skilled and experienced individuals from differing backgrounds from taking up roles in financial services. The proposed guidance could potentially cause unintentional negative consequences.

Application to cross-border sector

Section 2.10 of the Guidance is contradictory and requires clarification. 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). This would exclude firms providing financial services and products in the cross-border sector, as CPC does not apply to customers outside of Ireland. The Central Bank should clarify the application of CF3-CF9 roles to cross-border firms, particularly in the light of #2.15 on page 28, which notes the cross-border application of F&P. The footnote on page 27 could give rise to potential incorrect interpretation, which could be mitigated by referring to relevant Host State equivalent for cross-border firms.

Role Specific Expectations

- Experience level of (I)NEDs – 'three years of recent relevant practical experience at high-level managerial positions including theoretical knowledge in relevant financial services' (p 77/113). This requirement does not fit with the practice/current profile of experienced (I)NEDs and will also substantially limit the number of candidates that can be considered for Boards. Diversity of thought is critical within Boards in order to avoid Group think. Hence, it is beneficial for Boards (and management) to have the capacity to appoint directors from outside the Financial Services industry but with adjacent knowledge or skills i.e. from the technology sector or consumer advocates. Once a Board has the proper experience and knowledge to carry out its oversight and supervisory functions it should have the flexibility and freedom to appoint directors from outside the industry. This restriction on experience for directors unfairly curtails the commercial freedoms of Companies in the appointment of directors and will have a negative impact on the selection of the most appropriate directors for any given Board. This criteria goes beyond what is currently set out within the Corporate Governance Requirements and increases rather than decreases the risk of Group Think within Boards.

- With regards to the Head of Finance's level of experience (p87/113), the draft guidance does not include for example Actuarial experience/qualification which is also very relevant and current practice within the insurance industry; the draft guidance role profile is too narrow, 'must be a member of a recognised accountancy body'

- Role profiles – the number of years' experience outlined (e.g. p81/113) does not take account of the nature, scale and complexity of a firm, results in a comply of explain situation, diminishes attractiveness to the Irish market, and hinders succession planning and limits diversity and inclusion. Firms have recently in place Role Responsibilities under SEAR/IAF to now make additional changes to same is neither helpful or appropriate.

SEAR – CP 160

The consultation paper at page 7 states that “...the draft guidance derives from the SEAR regulations’...and relevant for all such roles across all sectors’. This in effect extends the SEAR regulations to entities not currently in scope for SEAR are now through fitness and probity going to be subject to similar standards. This again is an increase in scope well beyond what was envisaged within the Enria Report.

Collective Suitability and Diversity

- Under the Corporate Governance Requirements, only ‘High Impact Firms’ are required to have a Board skills matrix. However the draft guidance does not explicitly allow for the current scope (p89/113) and would imply that there is an expectation for all Boards to have a skills matrix in place. This effectively hugely increases the scope of the Corporate Governance Requirements through the F&P Guidance, again with a large extension of regulatory scope. In addition, while a Board Skills matrix is reflective of the collegial nature of a Board this premise has already been fundamentally eroded by the imposition of IAF/SEAR to INEDs and NEDs contrary to what occurred within the UK.
- The draft guidance highlights the importance of diversity across a number of areas including age, gender, geographical provenance, educational background, and professional experience, and while we advocate and support D&I, having regard to all the categories, conflicts with the pool of talent available and will result in challenge from Central Bank with regards to proposed PCF applicants. The requirements within the draft guidance will not help promote ED&I if they require extensive previous experience, as this will only favour the historical gender imbalance at senior level.
- The inclusion of the Central Bank’s flexibility and welcoming of non-industry candidates with expertise in key areas is recognised as a footer in the draft guidance, however the focus on diversity and inclusion is not sufficiently recognised when it is limited to a footer. Indeed, with the emergence of new areas of expertise required such as cyber, artificial intelligence, highlights the growing need to introduce expertise from non financial services sectors / not bound by the role summaries provided for in the draft guidance.

Conflicts of Interest

- For board members, the guidance differentiates between: Independence of Mind and Independence. How is independence of mind to be assessed and measured? How will firms demonstrate courage, conviction, strength. It would be difficult to measure and difficult if challenged by the CBI. In addition, if all directors were to take on board ‘independence of mind’ this could fundamentally fracture the collegial nature of Board decision-making. While directors have a requirement to challenge and voice their independent views they need to act as a collective when making and determining Board decisions in the best interests of the Company.
- ‘the Central Bank expects firms to take into account any political influence that may affect the firm’ (p69/113). We assume this is limited to PEP screening as otherwise it is unclear what is being envisaged here. The Firm must act in accordance with regulations and in the interests of its customers, shareholders and staff.

Time Commitments

- ‘For executive PCF roles, the general expectation of the Central Bank is that the role is carried out on a full-time basis (p65/113) this does not allow for the nature, scale or complexity of a firm, where individuals hold multiple CF or PCF roles (within the same firm or across different entities, such as at Group or affiliated entity level). Some Group level activity can be very supportive of a legal entity’s activities and should be recognised.

- Corporate Governance Requirements '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' – this expands the scope of Corporate Governance requirements to firms not in scope of Corporate Governance Requirements (p65/113)
- Rigid time commitments are not useful for either management or director guidance as it does not take into account the vastly differing models that operate between firms, industry and for those within larger Groups. In addition, for directors that sit on a number of Boards within a Group there are some time synergies that can be gained.

F&P Register and Due Diligence

- CF designations – the draft guidance suggests that for certain PCF roles that they are also categorised as CF1s and for control functions, that they are categorised as PCF, CF1 and CF2. Is the intention that the same role is captured multiple times on a firm's F&P register, F&P Certificates; if so, this will result in duplication of work for little if no benefit.
- Standards of financial soundness and probity due diligence checks – if each paragraph of the draft guidance is to be read on its own merits, it does not align with the due diligence table published by the Central Bank following the IAF Consultation/the table which is contained in Appendix 4 of the draft guidance which differentiates the due diligence depending on the role type PCF, CF1, CF2 and CF3-CF11. Under 5.12 on page 96 of the draft guidance "All due diligence is applicable to the CF population to which the certification requirement applies" (i.e. all CF and PCF role holders). This is then contradicted by the table in Appendix 4. Again changes to IAF provisions which have recently been introduced do not allow for regulatory stability or proper implementation and should be removed.
- With regards to financial soundness checks, specifically, 3.43 'the relevant individual should provide evidence of financial soundness in order to uphold expected standards', this goes beyond the current requirements, constitutes a disproportionate overhead for firms and individual (P)CFs, raises GDPR concerns, employment law concerns, practical concerns (how far does a firm go to establish what constitutes financial soundness) and the draft guidance does not allow for market differences / local legislation in other jurisdictions.

Confirmation of agreement to comply with the Standards of Fitness and Probity

'Firms must bring the Standards of fitness and probity to the attention of every individual performing a CF on its behalf and obtain a *signed copy* of the template agreement at Appendix 3 for each such individual; (p98/113) – it is assumed that electronic signatures will suffice for this requirement. .

Temporary Officers (2.36)

This regime is very inflexible and only allows for very limited circumstances in which the CBI will allow for a temporary officer. The Central Bank should consider broadening the scope to allow for a wider range of scenarios. E.g. force majeure, company winding down. Regulators in other jurisdictions such as the FCA have a 12-week rule in place under the Senior Managers and Certification regime which allow a person to provide cover for an equivalent PCF without regulatory approval. Will the bank consider extending the 3 months to 6 months with a pragmatic and flexible approach taken to account for the circumstances of each case.

It often takes well in excess of 3 months to recruit a new PCF, between recruitment, internal governance processes, Board approvals etc..even internal promotions can take over 3 months. If an external candidate is identified then this period is often protracted and generally also involved a standard notice period which

for most PCF positions is a minimum of 3 months. Hence, the reality of recruitment means that temporary officers often need to be applied, with Firms going through unnecessary administrative and regulatory costs to put in place individuals that are known to only be filling temporary positions.

Material Changes or Concerns

The 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 fitness and probity (page 102, #5.32 and 5.33). This would appear an excessive requirement and have a disproportionate impact on an employees right to privacy and their right to earn a livelihood.

The Central Bank should specify in the Guidance that these formal written warnings only need to be notified to the Central Bank where they relate to fitness and probity.

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.

The CBI should also clarify with respect to which roles it expects firms to provide such a notification.

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

The consolidation of existing guidance would be beneficial; the concern is with the extra expectations and enhancements which have been included in the draft guidance having just concluded the implementation of the final provisions of IAF/SEAR on 1 July 2025. The draft Guidance should only implement the recommendations of the Enria Report and should not seek to extend, expand and alter the current provisions. If anything, the Guidance should be seeking to simplify and reduce regulatory burden in light of the Draghi Report rather than seeking to add more layers.

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

2.

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

No, the proposed revisions are going to mean that all regulated entities will have to carry out work to re-assess all their PCF roles and ascertain whether these are still required or otherwise. It will also result in confusion across industries/firms / create regulatory uncertainty which is not the intention of the CBI with CP160. The 'comply or explain' framework only increases regulatory costs and burdens on Firms and is an additional layer of regulation that this not deemed necessary. The PCF list should remain as currently structured. It will result in unintended consequences and increase the regulatory burden as opposed to simplifying / rather than a lesser one.

As stated previously based on the recent finalisation of the IAF/SEAR changes there should be a period of regulatory stability and a simplification review rather than a proposal to introduce new requirements. If the Central Bank requires a PCF list review, we propose that there should be one review completed as part of the 3 year planned review in 2027; the outcome of which should make it clear which roles do not apply to particular industries/firms / retain the sector specific categories and the purpose of each PCF role to ensure unnecessary, non-value add work is required to be completed by firms at that time. At this point in time, the only change that should happen now is where the CBI confirms any PCF roles that are no longer required within sectors as opposed to merging roles/merging sectors.

With regards to the Head of Safeguarding Oversight PCF role proposed to apply to all firms, there is no guidance provided as to what this role entails for industry to be in a position to provide feedback on this proposed role. Nor is it clear how this role fits within the SEAR framework. For example, there may be existing PCF roles that encompass this role, it may not be relevant to all firms based on the

nature, scale and complexity of the firm, or in the case of SEAR firms, prescribed responsibilities may already be in place to safeguard customers if safeguarding customers is the intention of this new PCF role

The revised PCF list sets out PCF-39F: Designated Person with responsibility for Regulatory Compliance. 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 they apply to insurance undertakings.

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

As per the answer above, the revised PCF list, while not the intention of the CBI with CP160, will create confusion and re-work for firms following a period of constant change with IAF/F&P recently, an additional cost burden, and is not in line with EU simplification.

No guidance is provided on the new proposed PCF roles that will apply to all firms so hinders any feedback in being provided as part of CP160.