



FINANCIAL REGULATOR
Rialtóir Airgeadais

**Public Response to
Consultations held on the
Development of a
Stakeholder Protocol for
the Financial Regulator**

July 2007

INTRODUCTION AND BACKGROUND

In its Strategic Plan 2006, the Financial Regulator committed to the development of a Stakeholder Protocol (Protocol). The Protocol is a statement describing the targets which the Financial Regulator aims to deliver for certain key interactions with its stakeholders, and which will assist in the achievement of the overall high-level goals as set out in the Strategic Plan.

The Protocol introduces certain targets across all areas of the Financial Regulator and will complement a number of targets already in place. The Protocol includes goals for contacts by consumers, financial service providers and other stakeholders in addition to targets for key processes such as authorisations/approvals, inspections and consultations. It is important to note that the scope of the Protocol is currently limited to routine, recurring and straightforward issues only.

Following initial consultation with both the Consultative Industry and Consultative Consumer Panels in May 2006, work commenced on the initial scoping of a Protocol. An initial external workshop was held with various industry representatives in July 2006. Subsequently, four themed workshops were held with industry representatives to develop the contents of the Protocol during October 2006. These themes were the authorisation/approval process, the inspection process, the consultation process and general communications with the Financial Regulator.

Separately, in October 2006, comments were also solicited from interested parties through Consultation Paper CP23 'Service Protocol'. The Paper set out the purpose of the Protocol and requested views on the most important service issues that the Financial Regulator should address in the Protocol. It sought suggestions as to how an improvement in service delivery could be achieved and on the responsibilities of

stakeholders in achieving the service improvements. Eight submissions were received to the Consultation Paper (see Appendix 1).

Finally, in September 2006, as part of the consultative process, comments were also sought from interested parties through the Regulatory Connection, the Financial Regulator's ezine (Issue 8).

We would like to record our appreciation for the valuable assistance and contributions received throughout this consultation process and in particular from the participants in the various industry workshops.

This document is a public response to the comments and observations received through all of the above-described processes.

FEEDBACK FROM THEMED WORKSHOPS

The comments set out below summarise the output from each of the themed workshops held in October 2006.

INSPECTION PROCESS

General Overview:

Two-thirds of the feedback received related to the inspection process itself i.e. the pre-inspection stage, the actual inspection and the post-inspection stage and the remaining feedback (one-third) were general comments on inspections.

The vast majority (80%) of suggestions at the workshop have been incorporated into the Protocol. The remaining 20% related either to the remit of the Financial Regulator or to specific Departments. These comments have been forwarded directly to the relevant Departments for consideration.

In particular, three specific issues were raised relating to the:

- (i) Commitment to issuing Post-Inspection letters;
- (ii) Adherence to the time-table set out for the inspection; and
- (iii) Publication of a set of principles regarding general compliance.

Responses are outlined below to these three areas:

(i) Commitment to Issuing of Post-Inspection letters:

a) Routine Inspections:

In relation to routine inspections, the Protocol includes a targeted timeframe for the issuing of post-inspection letter(s). Where it is anticipated that this target will not be met, the Financial Regulator will advise of the delay, and give an indication of the expected date for issuing the post-inspection letter. Review meetings are excluded from the scope

of this Protocol. However, it may be decided to include them in future versions of the Protocol.

b) Themed Inspections:

The position is different for Themed Inspections. It is not possible to give a definitive timeframe for issuance of post-inspection letters for these types of inspections. By their nature, Themed Inspections focus on particular topics across the sector(s) and the circulation of this post-inspection letter is contingent on the completion of *all* of the Themed Inspections and the subsequent analysis of the data for that sector / theme. The 'Post-Inspection' letter from themed inspections is likely to be in the form of a letter from the Financial Regulator to the relevant industry or sector outlining the key messages from the overall sector arising from the outcomes of the Themed Inspections.

(ii) Adherence to the timetable set out for Inspections:

Chapter 3 of the Financial Regulator Strategic Plan 2007- 2009 outlines the expected duration for a typical inspection. While it is fully intended to meet this target, this may change during the course of the Inspection due to unforeseen circumstances, such as additional issues arising during the inspection.

(iii) Publication of a set of principles around compliance generally:

The Financial Regulator Strategic Plan 2007-2009 outlines in Chapter 3 the Regulatory approach, including a set of Regulatory Principles and the Financial Regulator's approach to Risk-Based Supervision.

In summary, this area received robust comment and will be continually reviewed as part of the overall review of the Protocol.

AUTHORISATIONS / APPROVALS PROCESS

General Overview:

This section of the Protocol accounts for over half of the targets included in the whole Protocol. This is expected given the importance of the authorisation/approval process in relation to competitiveness of the Irish financial services industry. In light of the comments and feedback received, relevant objectives have been re-assessed and revised and the Protocol now reflects many of the suggestions received.

Other feedback received in this area focussed on matters not specifically related to the setting of targets in the Protocol. These included the publication of Authorisation Information Packs for prospective applicants and comments relating to the current Financial Regulator website. All of these comments have been collated and will be considered as part of the redesign of the Financial Regulator website.

Future Phases of the Protocol:

While not related to the current developmental stage of the Protocol, one area of feedback is considered important and critical to future phases. These relate to full 'end-to-end' process measurements e.g. cycle times for the different types of Authorisations. As the Financial Regulator seeks to improve service and efficiency of the key processes these types of measures will form an integral part of this next phase. However, in response to specific queries raised at the Workshop, some information is set out below relating to average timescales for various types of Authorisations. These are indicative timescales due to the fact that the Financial Regulator cannot control the amount of time that the application is out with the relevant firm. In this regard, the total time for authorisation will depend on:

- The time taken by the applicant to respond to comments issued on each draft;
- The quality of the responses received addressing all issues raised;

- Any further changes made by the applicant during the authorisation process, and
- The time taken by any relevant third parties to respond to queries in relation to the application.

This information is being provided purely for information purposes:

Type of Authorisation	Average Timescale
Collective Investment Schemes (Fast Track)	4 weeks
Collective Investment Schemes (Other)	6 weeks
UCITS Management Companies	8 – 16 weeks ¹
Self Managed Investment Companies	8 weeks
Non –UCITS Management Companies	6 – 16 weeks ²
Credit Institutions	3 – 6 months
Insurance/Reinsurance Companies	5 – 6 months
Captive Insurance/Reinsurance Companies	3 – 4 months
Special Purpose Reinsurance Vehicles	6 Weeks
Investment Firms	16 – 20 weeks
Trustee Firms	12 – 20 weeks ³
Retail Intermediaries	3 – 4 months
Mortgage Intermediaries	6 – 8 weeks
Insurance/Reinsurance Intermediaries	3 – 4 weeks
Money Transmitters/Bureau de Change	3 – 6 months
Electronic Money Institutions	3 – 6 months

¹ 8 week timeframe applicable to converting/new management companies who delegate all activities.

16 week timeframe applicable to new management companies performing cpm functions in-house.

² 6 week timeframe applicable to new agency management companies and existing investment firms who wish to also act as manager to NU schemes.

16 week timeframe applicable to new management companies performing management functions in-house.

³ 12 week timeframe applicable to trustee firms structured as branches of EU credit institutions.

20 week timeframe more applicable to trustee firms seeking authorisation as investment firms.

COMMUNICATIONS AND CONSULTATION / REGULATORY IMPACT ANALYSES (RIAs)

Much of the feedback received from these two workshops related to the Financial Regulator's website and general experiences of the consultation/RIA process.

The comments relating to the website are referred to earlier in this document and the feedback relating to the Consultation and RIA processes have been noted and incorporated where appropriate into the Protocol.

FEEDBACK FROM CP23 'SERVICE PROTOCOL' AND FINANCIAL REGULATOR 'REGULATORY CONNECTION' EZINE

In all, 8 financial service providers gave feedback through these mechanisms and these are listed in Appendix 1. The views communicated focussed on the key areas of interaction with the Financial Regulator and which are included in the Protocol – Inspections, Authorisations and Consultations. In all, comments received were similar to those received in the various workshops and many suggestions received have been included in the Protocol. Feedback received was generally supportive of the concept of Protocol.

It was decided that other wider issues, which were raised, were not appropriate for inclusion in the Protocol. However, these matters have been noted and will be considered in the context of the review of the Strategic Plan.

- The need for a full end-to-end review of the overall Consultation Process including time-scales, consistency in approach, publication of an annual calendar of consultations and the cumulative impact of Consultations on the financial service providers;

- The need for the inclusion of end-to-end measures for the Inspections and Authorisations processes including overall cycles times;
- The increasing cost of regulation;
- The desire to increasingly work in partnership with the Financial Regulator to mutual benefit including the desire to standardise communication between the Financial Regulator and Financial service providers;
- The need to improve the current Financial Regulator's website; and
- Consideration to be given to the introduction of a relationship management process between the Financial Regulator and financial service providers to facilitate ease of interaction and productive working relationships.

CONCLUSION

There is a very strong interest from key stakeholders in the development and introduction of this Protocol. It is intended to formally launch the Protocol in July 2007. From July to December 2007 we will continually assess and review the Protocol. During this review phase, the specific targets laid out in the Protocol will be measured and performance assessed against the objectives set down and feedback mechanisms on its operation will be put into place. Any necessary amendments to the Protocol will be incorporated and, if necessary, a revised Protocol will be issued in January 2008. It is planned to provide an update on the operation of the Protocol in the Financial Regulator Annual Report for 2007.

The Protocol represents a significant step in the evolution of our Regulatory Approach and will be kept under review and enhanced where necessary on a continual and appropriate basis.

Appendix 1

Parties who made written Submissions to the Financial Regulator on the Development of a Stakeholder Protocol

1. Allied Irish Banks
2. Bank of Ireland
3. EBS Building Society
4. Eureka Reinsurance
5. Financial Services Consultative Industry Panel
6. Financial Services Consultative Consumer Panel
7. Irish Association of Investment Managers
8. IFG plc
9. Irish League of Credit Unions
10. ING Bank NV.



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