



30 September 2013

Risk, Governance and Accounting Policy Division
Central Bank of Ireland
P.O. Box 559
Dame Street
Dublin 2
Ireland

By e-mail to: codereview@centralbank.ie

Re: Consultation on the Review of the Corporate Governance Code for Credit Institutions and Insurance Undertakings

Dear Sirs,

We refer to Consultation Paper 69 'Consultation on the Review of the Corporate Governance Code for Credit Institutions and Insurance Undertakings' inviting comments on the proposed revisions to the Code. We appreciate to opportunity to comment and are pleased to offer the following comments for your consideration.

Section 7 Composition of the Board

The Consultation Paper considers the desirability of the imposition of a gender diversity requirement as a proxy for requiring diversity of experience and background. There is more to diversity than simply the gender diversity featured in the Consultation Paper: Ethnic or racial origin, able-bodied status and sexual orientation are all suitable and valid bases of diversity promotion in society generally however we note that the Central Bank is proposing to focus solely on the issue of gender as a proxy for general diversity. The discussion of positive discrimination in certain EU Green Papers and draft or proposed European legislative initiatives is noted, however current Irish legislation does not provide for positive discrimination.

In February 2013, Matthew Elderfield cited in a speech to the Institute of Directors the use by the Central Bank of *"restrictions on the number of board directorships that could be held simultaneously, with the goal of encouraging more diversity of background and robustness of challenge by broadening the gene pool of corporate life."*



This followed on from a speech by Matthew Elderfield in November 2010 to the Association of Compliance Officers in Ireland where he said *"We believe that it is possible to bring more directors into the financial services sector in Ireland by looking beyond the existing pool of directors."*

We do not believe that the unilateral imposition of gender diversity requirements by the Central Bank in advance of European or national legislation in the area will achieve the stated aim of avoiding 'group-think' by allowing a variety of perspectives to be brought to bear on board discussions. The imposition of mandatory gender quotas may operate to diminish the effectiveness of the directors so appointed as they may be regarded as, or may in fact be, token appointments inferior to other candidates even if they do satisfy the Central Bank's base fit & proper requirements and have relevant experience.

Board candidate identification processes are notoriously opaque and it is not desirable that they should continue to favour a 'golden circle' of incumbents at a time when a significant number of persons are newly establishing themselves are available to act as directors, often armed with qualifications in corporate governance from bodies such as the Institute of Bankers and the Institute of Directors. In our experience, it is a lack of information of available alternative candidates that leads to the appointment of well-established directors to additional posts to the disadvantage of new market entrants and to the detriment of diversity of experience and knowledge on boards generally.

We believe the best method to encourage more *"diversity of background and robustness of challenge by broadening the gene pool of corporate life"* is to encourage greater information about the pool of available candidates beyond those promoted by professional advisors and other gate-keepers, rather than the imposition of token mandatory gender quotas.

With this in mind the Central Bank could assist the process for example by publishing on its website the list of persons approved by it for PCF-1 and PCF-2 pre-approval control functions. The fact that these persons are directors of regulated entities is a matter of public record already due to Companies Acts requirements. The availability of a universal list of approved directors listing their existing regulated firm appointments would provide a valuable resource to institutions seeking candidates and would permit without significant cost a proper assessment of the market and the level of existing commitments of candidates.

Section 8 Chairman & Section 9 Chief Executive Officer

The proposed amendments to Section 8 are to be welcomed for the reasons given by the Central Bank.

The proposed amendment to Section 8.11 permits, where appropriate, a Chairman of an Irish-regulated institution other than a high-impact institution to act as Chairman of another group entity including one authorised outside the State with the prior approval of the Central Bank.



We note similar amending language is proposed in Section 9.2 in relation to the holding of more than one Chief Executive Officer (“CEO”) role simultaneously. The wording of this second amending paragraph does not require a group connection between the affected entities but instead requires affected institutions to have a low or medium-low PRISM rating. This requirement for all entities involved to have a PRISM rating will operate to preclude a CEO of an Irish-authorized low or medium-low PRISM rating entity from simultaneously acting in a similar role for a foreign group entity which is not authorised by the Central Bank. For the same reasons of visibility and influence at group level as are cited by the Central Bank for multiple in-group chairmanship roles, consideration should be given to permitting multiple in-group CEO roles where it is deemed appropriate and the prior consent of the Central Bank has been obtained.

We thank you for this opportunity to comment on the Central Bank’s proposals and we look forward to the publication of the revised Code.

Yours sincerely

A handwritten signature in black ink that reads "Kevin A.J. O'Doherty". The signature is written in a cursive style with a clear, legible font.

Kevin O’Doherty

Director

Compliance Ireland Regulatory Services Limited