Central Bank of Ireland Consultation Paper 69:

Review of the Corporate Code of Governance for Credit Institutions and Insurance Undertakings 2010

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Contents

1. Introduction

Purpose

The purpose of this submission is to respond to the Central Bank of Ireland (CBI) Consultation Paper 69: Review of the Corporate Governance Code for Credit Institutions and Insurance Undertakings (the Code) as an institution who welcomes the opportunity to engage constructively in the consultation process and who may be impacted by any potential amendments to this Code.

IPB Internal Consultation Process

The Code and its proposed amendments have been reviewed by the Board of IPB Insurance and IPB Insurance management to ensure a full contribution to this submission.

Scope

The Central Bank of Ireland has invited interested parties to comment on the proposed amendments in Appendix I of their review document.

IPB Compliance has responded to the sections cited above individually on a section by section basis whilst including the contributions of the Board of IPB Insurance and also IPB Insurance Management where relevant.

Note: **All areas highlighted in blue signify the amendment/addition proposed by the CBI.**

All areas struck through signify the intention to delete these sections as proposed by the CBI.

2. Executive Summary

Participation

IPB Insurance has welcomed the opportunity to participate in the consultation process regarding the review of the Corporate Code of Governance for Credit Institutions and Insurance Undertakings 2010 (the Code) outlined in the CBI Consultation Paper 69 (CP 69). IPB Insurance acknowledges that in previous times "weak internal governance issues were not identified as a direct trigger for the financial crisis, but rather as a crucial underlying factor[1] (EBA Guidelines on Internal Governance 2011)". Therefore following the recent implementation of the Code it has been acknowledged that it has led to the successful re-composition of several Boards of Directors in order to facilitate appropriate governance of individual institutions, and the enhancement of confidence in financial institutions within the Irish market.

In consideration of this the strengthening of these minimum requirements in order to provide further clarification and guidance by regulatory authorities remains crucial although institutions may be concerned that "a critical balance has to be established between, on the one hand, policies and constraints necessarily required by financial regulation and, on the other, the ability of the board of an entity to take decisions on business strategy that board members consider to be in the best interests of their shareholders'[2] (Walker Report 2009)".

We have considered the amendments proposed by the CBI on an individual and overall basis. Our comments contained herein are provided from that perspective. We do not, nor do the comments outlined within this document, represent any other institution other than IPB Insurance.

[1] EBA Guidelines on Internal Governance (GL 44) page 3 2011

[2] A review of corporate governance in UK banks and other financial industry entities – Final recommendations Walker Report 2009

Key areas of Response

Gender Diversity

With regard to the Composition of the Board and the CBI's outline of the prospective Gender Diversity developments throughout Europe, IPB Insurance can confirm that whilst it supports the benefits derived from gender diversity at both Board and at all levels within its business, the provision of minimum legislative requirements would seem to be inconsistent. We would support an effective timescale for the implementation of this requirement in order to ensure that all institutions could move consistently to meet its requirements. In the interim however, IPB Insurance is developing its own policy to bring the benefits of such diversity to reality with regard to its own Board of Directors.

Risk Committee

Whilst we welcome the specific noting of requirements for both the CRO role and the Risk Committee, there is a lack of specificity concerning the method of definition relating to risk appetite (Section 15.2), and the assessment of levels of materiality with regard to breaches of the Code (Section 4.2 and Section 26.1). It is understood that whilst the CBI do not wish to effectively direct the operations of any institution it is critical that the assessment of levels of materiality and risk appetite are adequately discussed between both parties to ensure effective management of expectations, effective reporting, and an increased transparency for shareholders.

Composition of Board Sub-Committees

We support the potential for committee members to become members of other committees and would welcome the benefits that this would provide in terms of enhanced Director awareness of the matters for discussion at these committees and the general operations of the institution. The ability of the institution however, to facilitate this will depend upon its size and the number of Board Directors available to facilitate the requirement. Whilst IPB Insurance has already implemented the requirement for the majority of Board sub-committee members to be non-executive Directors, we note that this may result in a significant direct cost to the smaller institution.

Chairman and Chief Executive Roles

We support the amendments that have been proposed by the CBI in relation to both of these roles and believe that the requirement to specifically recruit a CEO for any institution is a minimum requirement to determine the leadership of the institution with the guidance and support from the Chairman and the Board. The provision to allow the Chairperson of non-High Impact institutions to chair other Boards within a Group organisation will support the development of consistent strategies across subsidiaries.

3. The Code's proposed amendments and IPB responses

I. <u>Section 1: Scope (Sub-Sections 1.1:1.3:1.4)</u>

The Code imposes the following:

<u>Section 1.1:</u> Minimum core standards upon all credit institutions and insurance undertakings licensed or authorised by the Central Bank (including reinsurers but excluding captives); and additional requirements (as set out in Appendix 1) upon entities which are designated as ~~Major~~ **<u>High Impact</u>** institutions by the Central Bank so as to ensure that appropriate and robust corporate governance frameworks are in place and implemented to reflect the risk and nature of those institutions. There is no bar on institutions deciding to implement the additional requirements should they wish to do so and indeed institutions are encouraged to do so.

<u>Section 1.3:</u> ~~Institutions will be informed in writing where the Central Bank considers that they are a major institution for the purposes of the Code~~. Institutions are required to disclose in their annual report that they are subject to the Code and whether they are required to comply with the additional requirements for ~~major~~ **<u>High Impact</u>** institutions.

<u>Section 1.4:</u> **<u>On a case by case basis, the Central Bank will consider requests from institutions which are in the process of run-off to dis-apply certain parts of the Code</u>**

<u>Response from IPB:</u>

IPB Insurance does not have any comment to make on the proposed changes to this section.

II. Section 2 Definitions (Sub-Sections: Institution: Major Institution: Major Credit Institutions: Major Insurance Undertakings: Group Director)

- **Institution**: A bank licensed under Section 9 of the Central Bank Act 1971 or a building society authorised under the Building Societies Act 1989 including a credit institution registered as a designated credit institution under the Asset Covered Securities Act 2001 and an insurance undertaking holding an authorisation within the meaning of paragraph (a) of the definition of 'authorisation' in Article 2(1) of the European Communities (Non- Life Insurance) Framework Regulations 1994 or Article 2(1) of the European Communities (Life Assurance) Framework Regulations 1994 and as Reinsurance undertaking as defined in Article 3 of the European Communities (Reinsurance) Regulations, 2006. This Code does not apply to Captive Insurance undertakings, **Captive Reinsurance Undertakings** and Special Purpose Reinsurance Vehicles (SPRVs).

- ~~Major~~ **High Impact** institution: ~~A Major Institution~~ is **an** institution that in **which is categorised as a High Impact institution under the Central Bank's Probability Risk Impact SysteM ('PRISM'). A High Impact institution is typically a large domestic or international institution which is a major player in its market(s) with considerable potential to cause large-scale damage to financial sector stability.**

- **Major Credit Institutions** definition deleted in its entirety.

- **Major Insurance Undertakings** definition deleted in its entirety.

- **Group Director**: A director of an institution who would satisfy the criteria for director independence except for existing relationships with the institution's direct or indirect parent and/or any other direct or indirect subsidiary of such parent other than the institution. **A Group director may be an executive or a nonexecutive from within the group.**

IPB Insurance Response:

Whilst the definition of a Major Insurance Undertaking has been removed from the Code it did provide a benchmark for insurance undertakings to formally understand the specific criteria relevant for such businesses within the PRISM categorisation. In relation to Group Directors we wish to recognise the breath of diversity that can be provided by their participation in relation to shareholders/members requirements whilst providing the opportunity to deliver the 'need for diversity in skillsets and different types of skillset and experience 'to the Boards of financial institutions as highlighted in the Walker Report Final Recommendations (Chp3:45:2009). We do not have any other comments to make on this section.

III. Section 3 Legal (Sub-Section 3.6: 3.8)

Section 3.6: This Code is imposed in addition to, and shall not affect, any other corporate governance obligations and standards to which an institution is subject otherwise than under these requirements and other conditions and/or requirements set out in the licence or authorisation of institutions. **If a conflict arises between the Code and another corporate governance obligation or standard, the stricter of the obligations or standards should be met so as to ensure compliance with all sets of obligations.**

Section 3.8: **Where a provision of this Code is amended or deleted, any legal proceedings, Consultation on the Review of the Corporate Governance Code for Credit Institutions and Insurance Undertakings Consultation Paper CP 69 25investigation, disciplinary or enforcement action in respect of a right acquired or obligation or liability incurred in respect of a contravention of or act of misconduct under the provision in force at the time may be instituted, continued or enforced and any sanction or penalty in respect of such contravention or act of misconduct may be imposed by the Central Bank as if the provision had not been amended or deleted**.

IPB Insurance Response:

IPB does not have any comments to make on this section of the Code.

IV. Section 4 Reporting to the Central Bank (Sub-section 4.2)

Section 4.2: Any institution which becomes aware of a material deviation from this Code shall within 5 business days report the deviation to the Central Bank, advising of the background and the proposed remedial action. **The board is responsible for determining (in the first instance) whether a breach is material based on the particular facts.**

IPB Insurance Response:

IPB Insurance welcomes the ability of the individual Board to be able to set the level of material deviation from this Code however this definition should be noted as requiring agreement with the CBI in terms of levels of materiality specific to individual business risk appetites and levels to ensure effective reporting and management of expectations. The term 'first instance' serves to confuse the reporting process and we could request its removal for clarity.

V. Section 5 transitional Arrangements

This has been removed from the Code and cited as a 'Placeholder' section.

IPB Insurance Response

No response required at this time however we do note the expectation that a transitional timeline may be required should these proposals be effected.

VI. Section 6: General Requirements (Sub-section 6.3:

Section 6.3: All institutions shall have robust governance arrangements which include a clear organisational structure with well defined, transparent and consistent lines of responsibility, effective processes to identify, manage, monitor and report the risks to which it is or might be exposed, adequate internal control mechanisms, including sound administrative and accounting procedures, IT systems and controls, remuneration policies and practices that are consistent with and promote sound and effective risk management both on a solo basis and at group level. The system of **governance shall promote an appropriate risk culture at all levels of the institution** and shall be subject to regular internal review.

IPB Insurance Response:

IPB Insurance welcomes the specificity of the active promotion of risk culture within all areas of any insurance and or credit business and supports this amendment. We do wish to note and recognise that the cost of implementation of a successful risk culture may vary significantly between institutions depending on the size of the institution and the nature of its business.

VII. Section 7 Composition of the Board (Sub-Sections 7.2: 7.5: 7.8:7.10:7.14 :)

Section 7.2: The majority of the board shall be independent non-executive directors (this may include the Chairman). However in the case of institutions that are subsidiaries of groups the majority of the board may be group ~~non-executive~~ directors, provided that in all cases the subsidiary institution shall have at least two independent non-executive directors or such greater number as is required by the Central Bank. Group directors shall act critically and independently so as to exercise objective and independent judgement.

Section 7.5: **Directors should attend each board meeting in person wherever possible. However, due to the location of some directors, physical attendance may not always be possible, in which case videoconferencing or teleconferencing is permissible**.

Section 7.8: The number of directorships held by directors of institutions shall be limited. The Central Bank requires that the number of directorships of credit institutions and insurance undertakings and **reinsurance undertakings** held by a director shall not exceed five **and this shall include directorships of credit institutions and insurance undertakings and reinsurance undertakings authorised outside of the State**. This restriction does not apply to other directorships within ~~a financial~~ **the same** group. The Central Bank considers that an individual holding more than five directorships of credit institutions and insurance undertakings creates a rebuttable presumption that the director has insufficient time available to fulfil his or her role and functions as a director of ~~a financial~~ an institution.

Section 7.10: In calculating the number of directorships held, the Central Bank shall exclude directorships held in the public interest on a voluntary and pro bono basis provided that such directorships shall not interfere with the director's ability to fulfil properly his or her role and functions as a director of ~~a Financial~~ an institution**. Any such directorships should be notified to the Central Bank**.

Section 7.14: Institutions shall review board membership at least once every three years. Institutions shall formally review the membership of the board of any person who is ~~a~~ **an independent non-executive** member for nine years or more and it shall document its rationale for any continuance and so advise the Central Bank in writing. The frequency with which board membership is renewed shall be documented. The renewal frequency shall consider the balance of experience and independence sought.

<u>IPB Insurance Response</u>

IPB welcomes the constructive approach to permitting Board members who may have valid reasons for being unable to attend a Board meeting ensure that their contribution is maintained through the use of teleconferencing or video-conferencing. IPB also recognises the importance of each Director having sufficient time to participate in their respective Boards based on the available time to them and their commitment to other Boards of similar importance. With regard to the matter of the 9 years review of Independent Non-Executive Directors by the Board, it is unclear from this reference as to whether Group Directors would be required to submit to the same process and clarification in this matter is required.

VIII. <u>Section 8 The Chairman (Sub-section: 8.11)</u>

<u>Section 8.11</u>: The Chairman shall not hold the position of Chairman or Chief Executive Officer of a credit institution or insurance undertaking **<u>or reinsurance undertaking</u>** for more than one institution at any one time and **<u>this obligation also prohibits the holding of the position of Chairman or Chief Executive Officer in a credit institution or insurance undertaking or reinsurance undertaking authorised outside of the State at the same time as the holding of the position of Chairman or Chief Executive Officer of an institution to whom this Code applies. However, in the case of institutions which are not designated as High Impact institutions and are subsidiaries of groups, the Chairman may also hold the position of Chairman of a credit institution or insurance undertaking or reinsurance undertaking (including those authorised outside of the State) simultaneously provided that these roles reside within the group and the Chairman has sufficient time available to fulfil his or her role and function as the Chairman of an institution. The prior approval of the Central Bank shall be obtained prior to the Chairman assuming any such additional roles.</u>**

IPB Insurance Response

IPB recognises the importance of the Chairman and their ability to ensure that they act in the best interests of the business whilst providing their full attention and efforts in its successful management. IPB welcomes this proposal in the interests of supporting consistency of strategy within the Group where the institution in question is designated less than High Impact.

IX. Section 9 Chief Executive Officer (Sub-section: 9.1: 9.2:9.6)

Section 9.1: The Chief Executive Officer **('CEO')** is the top executive responsible for the institution with ultimate executive responsibility for the institution's operations, compliance and performance. The CEO serves as the main link between the board and the executive. **The institution shall appoint a CEO.**

Section 9.2: The CEO shall not hold the position of CEO of a credit institution or insurance undertaking **or reinsurance** undertaking of more than one institution at any one time **and this obligation also prohibits the holding of the position of CEO in a credit institution or insurance undertaking or reinsurance undertaking authorised outside of the State at the same time as the holding of the position of CEO of an institution to whom this Code applies. However, in the case of institutions which are designated as Medium-Low or Low impact institutions, the CEO may also hold up to two additional positions as CEO of a credit institution or insurance undertaking or reinsurance undertaking simultaneously provided the institution is also designated as a Medium-Low or Low impact institution and the CEO has sufficient time available to fulfil his or her role and function as the CEO of an institution. The prior approval of the Central Bank shall be obtained prior to the CEO assuming any such additional roles**.

Section 9.6: **The CEO shall be appointed to the board**.

IPB Insurance Response

IPB welcomes the proposal to ensure that an institution shall appoint a CEO to ensure effective management of its business on a day to day basis as delegated by the Directors of the Board.

We also welcome the appointment of the CEO to the Board of Directors as this ensures that the Directors have an opportunity to discuss and effectively challenge on a face to face basis the relevant issues of the business with the person to whom they have delegated authority to effectively run the company. With regard to the CEO of a Medium-Low or Low Impact institution undertaking a similar role within another similarly designated institution, it does allow for the development of skill set and broadening of expertise within the CEO role, as well as the other institutions benefitting from the expertise of that individual.

XII. Section 12 Chief Risk Officer (Sub-section 12.1 – 12.8)

Section 12.1: **There shall be a person appointed the Chief Risk Officer (‘CRO’) with distinct responsibility for the risk management function. Where an institution is not designated as a High Impact institution and where the nature, scale and complexity of the operations of the institution do not justify a dedicated, exclusive CRO function, another pre-approval control function may fulfil that role, provided there is no conflict of interest. The Central Bank shall be notified of any such arrangement**.

Section 12.2: **The CRO shall be responsible for managing the risk control function and for monitoring the institution’s risk management framework across the entire organisation.**

Section 12.3: The CRO shall be responsible for maintaining effective processes to identify, manage, monitor and report the risks to which the institution is or might be exposed and to promote sound and effective risk management both on a solo basis and at group level.

Section 12.4: The system of risk management shall promote an appropriate risk culture at all levels of the institution and shall be subject to regular internal review.

Section 12.5: The CRO shall be responsible for the facilitation of the setting of the risk appetite by the board

Section 12.6: The CRO shall have relevant expertise, qualifications and background or be required to undertake relevant and timely training. The CRO shall have sufficient seniority and independence to challenge or influence decisions which affect an institution's exposure to risk.

Section 12.7: The CRO shall be responsible for providing comprehensive and timely information on an institution's material risks which enables the board to understand the overall risk profile of the institution.

Section 12.8: The CRO shall report to the board risk committee with direct access to the Chairman of the board.

IPB Insurance Response

IPB welcomes the specificity regarding the role of the CRO given the importance of the 2nd Line of Defence within institutions and the outline of the role for consistency across the market. We would note in terms of consistency that the term 'CRO' is not noted within SI 437 of 2011 Central Bank Reform Act 2010 (Sections 20 and 22) Regulations 2011, where 'Head of Risk ' is cited nor with the term 'Head of Risk' included in the Fitness and Probity Standards (Code issued under Section 50 of the Central Bank Reform Act 2010) 2011.

XIII. **Section 13 Role of the Board 9 Subsections 13.1)**

Section 13.1: The board of each institution is responsible **for the** effective, prudent and ethical oversight of the ~~entity~~ **institution**. **The board is responsible for, among other things, setting and over-seeing:**

- **the business strategy for the institution;**
- **the amounts, types and distribution of both internal capital and own funds adequate to cover the risks of the institution;**
- **a robust and transparent organisational structure with effective communication and reporting channels;**
- **a remuneration framework that is in line with the risk strategies of the institution; and**
- **an adequate and effective internal control framework, that includes well-functioning risk control, compliance and internal audit functions as well as an appropriate financial reporting and accounting framework.**

~~The board of each institution is responsible for:~~

~~The effective, prudent and ethical oversight of the entity; setting the business strategy for the institution; and ensuring that risk and compliance are properly managed in the institution.~~

IPB Insurance Response

IPB Insurance welcomes the outline from the CBI in relation to the specific matters highlighted in this section for which the Board is responsible.

XIV. Section 14 Appointments (Sub-Section 14.4: 14.6:14.9)

Section 14.4: **The board shall ensure that new non-executive directors are provided with adequate induction training about the operations and performance of the institution. The board shall ensure that adequate on-going training is provided to board members which are routinely updated as necessary to ensure that they make informed decisions**.

Section 14.6: At a minimum, a board shall conduct an annual assessment of its own performance and compliance with relevant provisions. Every three years an evaluation by an external evaluator shall be undertaken. Where the external evaluation is critical of the performance of the board, **the Central Bank reserves the right to increase the** frequency of subsequent evaluations shall be increased to annually until acceptable performance is noted. Any such evaluation shall be provided to the Central Bank.

Section 14.9: The board shall put in place a formal skills matrix to ensure that there is an appropriate skills mix across members of the board and potential new members should be assessed against the skills matrix during the appointment process.

IPB Insurance Response:

IPB Insurance supports the requirement to ensure the effective on-going training of Board members given the requirement to both ensure diversity not only of gender but also of skill sets which facilitate the opportunity for a more rounded board and the assurance of increased valuable participation by Directors to Board meetings. The introduction of a skills matrix is considered an operational tool to support the more effective and focussed delivery of a succession plan and also relevant training for Directors.

XV. Section 15 Risk Appetite (Subsection: 15.8)

Section 15.8: **The board shall ensure that it identifies risks to be addressed by contingency plans based on the areas where it considers the institution to be especially vulnerable and that these are reviewed, updated and tested on a regular basis.**

IPB Insurance Response

IPB welcomes the specific requirement noted within this section.

XVI. Section 16 Meetings (Sub-section 16.1)

Section 16.1: The board shall meet as often as is appropriate to fulfil its responsibilities effectively and prudently, reflective of the nature, scale and complexity of the institution. In any event, the board shall meet at least quarterly **four times per calendar year and at least once per half year**.

IPB Insurance Response

IPB welcomes the amendment to this section and the specific requirement regarding frequency of meetings as outlined. This should assist institutions to more effectively manage Board meetings, their content and the delivery of objectives within the institution on a strategic basis and at the direction of the Board. It will also reduce the potential for 'shadow management' to be in operation by the Board of Directors and prevent any potential to erode independence and oversight by the Board of Directors with regard to the management of the institution.

XIX. Section 19 Committees Of the Board (Sub-section: 19.1: 19.7)

Section 19.1: **High Impact** institutions are required to establish audit, risk, remuneration and nomination committees. Where an institution is part of a wider group where remuneration and nomination committees exist, it may not need separate such committees. The Central Bank shall be informed of this decision promptly and retains the discretion to require the establishment of these committees. **No single individual may hold the position of Chairman of the audit committee and risk committee simultaneously.** The board is responsible for oversight of each of its committees. Subject to paragraph 19.2 below, the board shall establish, at a minimum, both an audit committee and a risk committee. Where the board comprises only 5 members, the full board, **including the Chairman and the CEO**, may act as the audit committee and/or the risk committee. In such cases Section **21.3** continues **and Section 23.3 will continue** to apply. Minutes of these meetings should reflect that the board was sitting as the audit committee or risk committee.

Section 19.7: **Board consideration of risk-related issues may be enhanced by members serving on more than one board sub-committee as members may gain a greater appreciation of risk considerations across the institution. Cross memberships between key sub-committees of the board should be encouraged. The Chairman of the audit committee shall be a member of the risk committee and the Chairman of the risk committee shall be a member of the audit committee. The Chairman of the remuneration committee shall be a member of the risk committee and the Chairman of the risk committee shall be a member of the remuneration committee.**

IPB Insurance Response:

IPB Insurance welcomes the provision to allow members of the board to assume memberships of more than one subcommittee of the Board to enhance the understanding of both the business and the risks within which it operates. We would suggest that the CBI may take the opportunity to provide further clarity regarding the applicability of this to all categories of institutions. This may present a challenge for smaller to medium sized institutions with limited membership of the Board thus creating an issue regarding independence or potentially contributing to the occurrence of 'Group Think' as previously mentioned. It may also be considered by the CBI that High Impact institutions should be allowed to amalgamate the Remuneration and Nomination committee as one committee for effectiveness.

XX. Section 20 General Requirements of Committees (Sub-section 20.1 e)

Section 20.1 (e): Directors should attend each sub-committee meeting in person wherever possible. However, due to the location of some directors, physical attendance may not always be possible, in which case videoconferencing or teleconferencing is permissible;

IPB Insurance Response:

As Section 7 (7.5) above.

XXII. Section 22 Audit Committee (sub-section 22.1:22.4 :)

Section 22.1: The number of members of an audit committee shall be sufficient to handle the size and complexity of the business conducted by it **and shall be composed of at least three members**.

Section 22.4: **The audit committee as a whole shall have relevant financial experience and at least one member shall have an appropriate qualification.**

IPB Insurance Responses

Whilst the requirement for financial experience is specified within this section for membership of the audit committee, it would provide clarity if the term 'appropriate experience' can be defined through the provision of examples of categories of experience or qualifications to complement the Fitness and Probity Standards (Code issued under Section 50 of the Central Bank Reform Act 2010) 2011.

XXIII. Section 23 Risk Committee (Sub-section 23.2:23.3:23.4:23.5)

Section 23.2: The **number of members of a** risk committee shall ~~ensure that there is an appropriate representation of non-executive and executive directors which is appropriate~~ be sufficient to handle the ~~nature, scale~~, size and complexity of the business **conducted by it and be composed of at least three members**

Section 23.3: **The Chairman of the risk committee shall be a non-executive director**.

Section 23.4: **The risk committee shall be composed of a majority of non-executive directors.**

Section 23.5: **The risk committee as a whole shall have relevant financial experience.**

IPB Insurance Response:

IPB Insurance welcomes the requirement for the majority of members of the Risk Committee to be non-executive directors and for this committee to be chaired by a non-executive Director. We would welcome however, clarity of the term 'relevant financial experience' through the provision of examples of categories of experience or qualifications to complement the Fitness and Probity Standards (Code issued under Section 50 of the Central Bank Reform Act 2010) 2011. This can only serve to strengthen the level of experience and qualifications considered for membership to this committee and ensure that the individual institution can offer appropriate training to the members of its Board. The challenge for these specific requirements may be onerous for small to medium sized institutions and may require separate consideration regarding proportionality by the CBI.

XXVI. **Section 26 Compliance Statement (Sub-section 26.1)**

Section 26.1: An institution shall submit to the Central Bank a compliance statement specifying, in accordance with any relevant guideline issued by the Bank, whether the institution has complied with this Code during the period to which the statement relates. This compliance statement shall be submitted to the Central Bank on an annual basis or with such other frequency as the Central Bank may notify to the institution from time to time. The first report will be for the year end 2011 and shall be submitted, with the institution's annual report. **Where an institution does not have a financial reporting period coinciding with the calendar year it may submit a compliance statement for the period of its financial year**. In the event of the institution deviating materially from the Code, the compliance report shall include a report on any material deviations, advising of the background to the breach and the actual or proposed remedial action

IPB Insurance Response

IPB acknowledges the flexibility required for differing institution's annual financial reporting requirements and views this as a positive option for all institutions.