

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

1 October 2013

**Response to Consultation on the Review of the Corporation Governance Code for  
Credit Institutions and Insurance Undertakings**

Dear Sir/Madam

I am writing to you as the Company Secretary of KBC Bank Ireland plc (“KBC Ireland”), a 100% subsidiary of KBC Group N.V. (“KBC”).

KBC is an integrated bancassurance organisation headquartered in Brussels, catering mainly for retail customers, small and medium-sized enterprises and private banking clientele. KBC holds leading positions in its key markets of Belgium and Central Europe as well as a selective presence in the rest of the world. KBC has been a long term investor in KBC Ireland with a majority shareholding (75%) since 1978 and has been the sole shareholder since 2000.

We refer to the consultation paper (CP69) on the Review of the Corporate Governance Code for Credit Institutions and Insurance Undertakings (“the Code”) issued on 1<sup>st</sup> August. We understand that the motivation behind the review of the Code is to carry out an informed assessment as to whether there are any areas of the Code which might benefit from clarification, enhancement or amendment in a revised Code.

We welcome the fact that the Central Bank of Ireland has undertaken to carry out a review of the Code following a period of operation which allows for an informed assessment of the Code.

We are concerned however that the consultation paper does not give sufficient recognition to proportionate implementation of the corporate governance requirements to institutions, such as KBC Ireland, which are part of a larger financial services group within a comparable corporate governance framework.

We are specifically concerned that the corporate governance requirements relating to the Chairman do not give sufficient recognition to the status of KBC Ireland as a wholly owned subsidiary of KBC, and indeed the status of KBC as the sole shareholder and a regulated credit institution within the EU. We note that Section 8.11 of the revised Code allows for the Chairman of an Irish credit institution to hold the position of Chairman of a credit institution or insurance undertaking simultaneously provided that these roles reside within the group and the Chairman has sufficient time available to fulfil his role as Chairman. However, as currently drafted this only applies to institutions which are not designated as High Impact institutions.

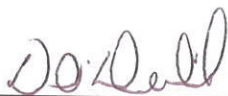
KBC Ireland was designated as a High Impact Institution during 2013, and as a result Section 8.11 of the revised Code, which does not allow for the Chairman of an institution designated as a High Impact institution to hold the position of Chairman of a credit institution or insurance undertaking simultaneously within the group, affects KBC Ireland. Please note that the Central Bank have issued KBCI Ireland with a derogation from the current requirements of Section 8.11 in respect of the Chairman of KBC Ireland who holds the position of Chairman of credit institutions and insurance undertakings simultaneously within the KBC group.

We are concerned that the requirements in respect of the Chairman of the board seek to restrict the appointment by a parent institution of one of its senior management as the Chairman of its wholly owned subsidiary. KBC places significant value and emphasis in the leadership role of the Chairman of its subsidiaries being held by a member of its senior management.

We would suggest that it is appropriate that the Code allows for the Chairman of an Irish credit institution to hold the position of Chairman of a credit institution or insurance undertaking simultaneously, provided that these roles reside within the group and the Chairman has sufficient time available to fulfil his role as Chairman, for all institutions and not only to those which have not been designated as High Impact institutions.

On this basis, we consider that the provision in the revised Code, which would place a restriction on KBC in respect of its appointment of a Chairman of its wholly owned subsidiary, is unnecessary and inappropriate.

Yours sincerely



---

**Damian O'Neill**  
**Company Secretary**