

Consultation on Corporate Governance Requirements for Investment Firms (CP 94),  
Risk, Governance and Accounting Policy Division,  
Central Bank of Ireland,  
Dame Street,  
Dublin 2

13 August 2015

**Re: Banking & Payments Federation Ireland Response to Central Bank of Ireland  
Consultation on Corporate Governance Requirements for Investment Firms, CP94**

Dear Sir / Madam

Banking & Payments Federation Ireland (BPFI) welcomes the opportunity to respond to this consultation, which impacts on the operations of a number of our member organisations.

We recognise the application of much of the framework of the Corporate Governance Code for Credit Institutions and Insurance 2013 (the 2013 Code) in the proposed Requirements for Investment Firms.

#### **Scope**

Consideration should be given to including all firms under the Draft Corporate Governance Requirements for Investment Firms (the 2015 Code), even firms with a Low PRISM rating, so that each firm can demonstrate a minimum level of formal corporate governance.

To ensure a level of consistency and alignment with the 2013 Corporate Governance Code, we consider that the additional requirements in Appendix 1 should be limited to High Impact firms only.

There is currently no guidance within the 2015 Code in relation to transitional period for complying with a higher level of compliance arising from a change in a firm's PRISM rating. We would appreciate guidance on this. One of the main potential impacts of a change in PRISM rating is the requirement for additional independent non-executive directors to be appointed. A transition period of up to six months could be required to identify an appropriate candidate and obtain the required regulatory approval.

#### **Definitions**

The definition of Group Director refers only to meeting the criteria for independence were it not for their existing group relationships. For consistency, it is proposed that this definition be aligned to the definition within the Corporate Governance Code for Credit Institutions and Insurance Undertakings (2013 Code):

- ***“Group Director: A group director may be an executive, an executive director, a non-executive director or an independent non-executive director of an entity within the group.”***

### **Chairman**

Section 7.7 provides that the role of Chairman within a subsidiary can be a group director. In this regard it is proposed that the final sentence of Section 7.7 be modified to provide that *“If the Chairman is temporarily unavailable (or has a conflict of interest), the role may be taken by an independent non-executive director or, for a subsidiary, a group director.”*

Section 7.9 states that “A firm shall ensure that the prior approval of the Central Bank shall be obtained prior to the Chairman taking on any other directorships (other than within the group), as the responsibilities and required time commitment for a Chairman may be significant.”

We would appreciate clarity as to whether this applies in respect of taking on additional directorships where these are already held with an independent external group. For example will prior CBI approval be required for an appointment to a subsidiary Board where the Directorship in the external company is pre-existing?

### **Board Meetings**

In Sections 14.2 and 14.3, there is a requirement that draft minutes of a meeting be presented at the subsequent board meeting for agreement. This could potentially place a firm in a position where it would be in breach of the 2015 Code due to multiple meetings being held in a short period of time. We suggest that the 2015 Code be modified to reflect that the draft minutes be circulated in a timely manner as may be determined by the board from time to time.

### **Audit Committee**

Section 20.1

In order to remove unnecessary duplication of work, where the audit committee membership is identical to that of the Board, it would be helpful if additional option for an audit committee such as the following were added (similar to the requirements of the Risk Committee in 21.1):

*“A firm with only three directors, who would otherwise form an audit committee in accordance with Section 17.1, may propose to the Central Bank that the board itself carry out the functions which would otherwise be delegated to an audit committee but the firm shall ensure that the board does not carry out such functions in the absence of having obtained the Central Bank’s prior approval in writing to do so.”*

In recognition of the responsibilities of the audit committee, it would be proposed that the exemption be limited to firms that avail of the provisions of Section 17.1

Please contact me if you wish to discuss these views in further detail.

Yours sincerely

*Mary Doyle*  
Head of Corporate Governance & Risk