



Intermediary Times

2021

June Issue

Welcome to the Intermediary Times



Grainne McEvoy
Director of Consumer Protection

Welcome to the first edition of the Intermediary Times for 2021. The purpose of this newsletter is to highlight specific areas of interest, including potential risks to your business and to outline how you can further develop your business in a manner that puts consumers first. This edition contains information on many

important and interesting topics, including:

- What's New? – Unity – the 'Central Bank of Ireland Portal' and the 'Fitness and Probity Interview Guide';
- Consumer Protection Outlook Report 2021;
- Business Interruption Insurance;
- Consumer Protection Code 2012 Update – Commission Arrangements Guidance;
- Fitness and Probity;
- Enforcement Update;
- Common Errors and Reminders;
- Loss Assessing and Claims Handling;
- Consumer Protection Code Review;
- Sustainable Finance Disclosure Regulation;
- 2020 Industry Funding Levy; and
- ICCL Funding Consultation.

For queries on any of the topics outlined in this newsletter, or any other queries you may have, please see the main contact points on page 18. We hope that you find this newsletter useful and as always, we welcome your [feedback](#) on the content and frequency of this newsletter, as well as any suggested topics that could be covered in future editions.

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What's New?

Unity - the 'Central Bank of Ireland Portal'

As part of the Central Bank's commitment to simplifying how regulated firms engage with us on a range of services, the 'Central Bank of Ireland Portal' (the Portal) launched in August 2020. The initial launch was specifically aimed at Insurance Undertakings and the Portal is being rolled out, on a phased basis, to all other sectors.

On 24 May 2021, the Portal was launched for the retail intermediary sector. All retail intermediaries should now have access to the Portal, which will allow you to:

- View information relating to your firm;
- Notify the Central Bank of required changes to that information; and
- Communicate with the Central Bank regarding such changes via Portal Messages.

Further information in relation to the Portal can be found on the Central Bank's website [here](#), where there is also a [Contact Us form](#) for any queries or concerns.

Fitness and Probity Interview Guide

One of the roles of the Central Bank is to assess the suitability (i.e. fitness and probity or F&P) of individuals put forward for certain senior roles (pre-approval controlled functions or PCFs) in regulated firms. As part of our assessment, we may hold one or more interviews with a PCF applicant.

On 10 June 2021, the Central Bank published the [Fitness and Probity Interview Guide](#), which provides an overview of the fitness and probity interview process, what to expect on the day of the interview and what happens after an interview.

"We understand that for some applicants there may be uncertainty around the interview process, particularly where they have not gone through the process before. To that end, and as part of the Central Bank's drive to bring increased transparency to our processes, we are launching the Interview Guide. Its purpose is to assist PCF applicants who have been called to attend an interview with us and to assist firms in supporting them." **Derville Rowland, Director General, Financial Conduct**

WHAT'S NEW?



Recent Speeches

- On 10 June, Derville Rowland, Director General Financial Conduct, gave a speech at the Institute of Directors' Briefing Webinar in relation to [The importance of fitness, probity and ensuring responsibility](#).
- On 12 May, Gráinne McEvoy, Director of Consumer Protection gave a speech at the Joint Oireachtas Committee in relation to [Finance, Public Expenditure and Reform, and Taoiseach](#).
- On 16 March, Derville Rowland, Director General Financial Conduct, gave a speech at the Banking and Payments Federation of Ireland (BPF) Membership Forum in relation to [Conduct, culture and trust – priorities for 2021](#).
- On 17 February, the Central Bank issued a [Statement in relation to its expectations of firms when handling Business Interruption claims](#)
- On 17 February, Deputy Governor Ed Sibley, gave a speech to the Institute of Directors in relation to [Governance and risk in a time of uncertainty and change](#).
- On 25 January, Governor Gabriel Makhlouf, gave a speech at the University of Limerick in relation to [the year ahead, including the economic outlook and the priorities of the Central Bank of Ireland](#).



*Derville Rowland, Director General,
Financial Conduct*



*Gráinne McEvoy, Director of
Consumer Protection*



Ed Sibley, Deputy Governor



Governor Gabriel Makhlouf

Consumer Protection Outlook Report 2021

The Central Bank recently published the [Consumer Protection Outlook Report 2021](#) (CPOR), which sets out the Central Bank's consumer and investor protection priorities for 2021, and the risks that pose the greatest potential for consumer and investor harm. It also sets out the Central Bank's expectations of what regulated firms should do to minimise these risks.

The CPOR is published against a backdrop of continued uncertainty due to the ongoing impact of the COVID-19 pandemic. As there are still challenges ahead of us, regulated firms need to remain proactive and vigilant in their planning, mindful of the risks that arise in these uncertain times and to ensure the continued protection of consumers.

The key risks facing consumers, highlighted in the CPOR, include the absence of a consumer-focused culture, consumer protection during the COVID-19 pandemic, ineffective disclosure, mis-selling and inadequate suitability assessment technology, unfair practices and behavioural vulnerability.

Key Priorities

The key priorities for the Central Bank this year, as set out in the CPOR, are to:

- Deliver intrusive risk-based supervision and intensify our targeted assessment of those regulated firms and sectors that pose the greatest potential harm to consumers and investors;
- Drive regulated firms to take responsibility for embedding consumer-focused cultures based on the highest standards of professionalism, honesty, integrity and accountability to deliver fair outcomes that have the interest of consumers and investors at heart;
- Enhance and strengthen the consumer protection framework to reflect best practice and be responsive to innovation and change in the financial services sector and digital environment;
- Influence and shape key policies for regulation of the financial system to secure the best standards of consumer and investor protection at home and internationally;
- Enhance our gatekeeping process while continuing to act as a robust gatekeeper for firms seeking to provide financial services in Ireland; and
- Seek to ensure the fair treatment of borrowers in financial distress fairly and sympathetically throughout the COVID-19 pandemic.

Your role

Consumer protection begins with regulated firms. You are responsible for selling products and services to consumers that meet their needs both now and into the future. Retail intermediaries play a key role in this regard and in ensuring that they act in consumers best interests, at all times.



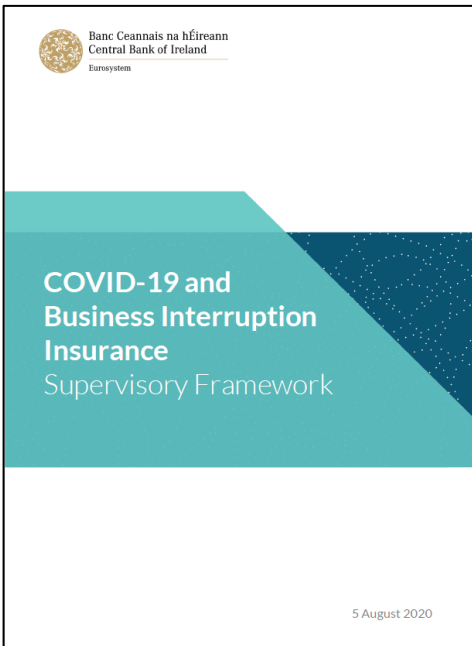
The CPOR sets out:

1. The Central Bank's consumer and investor protection priorities for 2021;
2. The risks that pose the greatest potential for consumer and investor harm; and
3. Expectations of what regulated firms should do to minimise these risks.



The Central Bank expects all regulated firms to act on the risks identified throughout the CPOR and to take the necessary steps to ensure they are effectively managed in order to protect their customers.

Business Interruption Insurance



Since March 2020, the Central Bank has prioritised the issue of business interruption, launching a system-wide supervisory examination. In our [COVID-19 and Business Interruption Insurance Supervisory Framework](#), we set out our expectations for insurance firms' handling of COVID-19 related business interruption insurance claims. Consistent with the Central Bank's approach to all aspects of financial regulation, we expect firms to adopt a customer-first approach to the resolution of issues.

As a result of the Central Bank's supervisory interventions, a number of insurance firms accepted and commenced settling claims prior to the High Court decision in February 2021. Following that decision, which was in line with our supervisory position, we reinforced our expectations to firms in respect of responsive policies, in taking a proactive approach to communications with customers in respect of cover and the swift resolution of all valid claims.

If you are involved in the distribution chain for business interruption insurance, you play a key role. The Central Bank expects insurance intermediaries to adopt a customer first approach to the resolution of issues, in line with your obligations to act honestly, fairly and professionally in the best interests of customers and with due skill care and diligence. Where firms handle claims, they must ensure that they are handled effectively and properly and, where appropriate, assistance is offered to their customers in the process of making a claim, including, where relevant, alerting their customer to policy terms and conditions that may be of benefit. Any complaints received must be handled in accordance with the firm's complaints handling process, and where a customer is not satisfied with the outcome, you should inform the customer that they have the right to refer their complaint to the Financial Services and Pensions Ombudsman.

The COVID-19 and Business Interruption Insurance Supervisory Framework sets out our expectations for insurance firms' handling of COVID-19 related business interruption insurance claims.



The Central Bank expects insurance intermediaries to adopt a customer first approach in line with the obligations to act honestly, fairly and professionally in the interest of customers.



Where firms handle claims, they must be handled effectively and properly and assistance offered, where relevant. Customers should be alerted to policy terms and conditions that may be of benefit.

Loss Assessing and Claims Handling

Firms are reminded that the activity of assisting in the administration and performance of insurance contracts on behalf of a policyholder, including the activities of 'loss assessing' and 'claims handling' on behalf of a policyholder are considered to be regulated activities under the IDR. Firms who undertake 'loss assessing' and 'claims handling' on behalf of a policyholder are required to be registered by the Central Bank as an insurance intermediary under the IDR.

The IDR specifically excludes the management of claims on a professional basis on behalf of a (re)insurance undertaking, loss adjusting and expert appraisal of claims.

Firms should seek their own independent legal advice where they are unsure as to whether the activities they carry out are regulated activities under the IDR. Information on the authorisation and registration process is available on the [Central Bank's website](#).



Consumer Protection Code Review

The review of the Consumer Protection Code is ongoing and the intention is to consult publicly on the proposals in the Autumn, giving stakeholders and the public the opportunity to give their views and feedback.

The current review will also result in the Code being transferred into regulations under the Central Bank (Supervision and Enforcement) Act, 2013.

Firms who undertake 'loss assessing' and 'claims handling' on behalf of a policyholder are required to be registered as an insurance intermediary under the IDR.

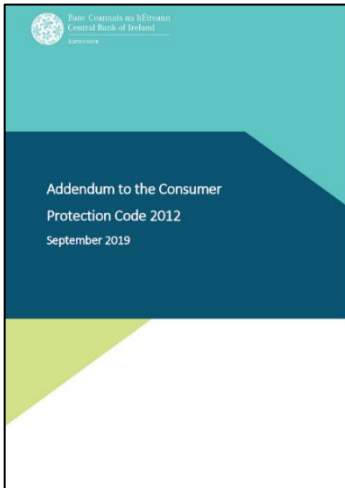


Firms should seek their own independent legal advice where they are unsure if the activities they carry out are regulated activities.



It is intended to publish the Consultation paper on the Consumer Protection Code in the Autumn.

Consumer Protection Code 2012 Update – Commission Arrangements Guidance



In September 2019, the Central Bank published changes to the Consumer Protection Code 2012 (the Code) to ensure transparency of commission arrangements between retail intermediaries and product producers, and to minimise the risk of conflicts of interest relating to commissions arising where consumers are receiving financial advice from a retail intermediary. These changes took effect on 31 March 2020.

Key Requirements

- Any fee, commission, other reward or remuneration arrangements must be designed in such a way that they avoid conflicts of interest;
- Firms cannot describe themselves and their regulated activities as 'independent' where they accept and retain commission in circumstances where advice is provided; and
- Firms must make available in its public offices or on its website, in a manner that is easily accessible to consumers, a summary of the details of all arrangements for any fee, commission, other reward or remuneration paid or provided to the retail intermediary which it has agreed with product producers. Where a firm operates a website, it must publish the summary on its website.

New Guidance

In order to ensure transparency, retail intermediaries must ensure that their commission arrangements are disclosed in accordance with provision 4.58A of the Code. In this regard, the Central Bank has issued guidance in the form of Questions and Answers (the Guidance).

[The Guidance](#) provides further clarity in relation to the following points:

- **The scope of the application of Provision 4.58A:** Provision 4.58A applies to all retail intermediaries that deal directly with consumers, regardless of whether they act as a wholesale broker or Managing General Agent (MGA);
- **The commission (fee, commission, other reward or remuneration) information that must be made available to consumers:** At a minimum, this commission information is contained in points a) to c) of the provision;

Did You Know?

The Central Bank has updated its Consumer Protection Code 2012 Guidance to include additional guidance on the Commission Arrangements requirements.



Firms cannot describe themselves and their regulated activities as 'independent' where they accept and retain commission in circumstances where advice is provided.



Provision 4.58A applies to all intermediaries that deal directly with consumers, regardless of whether they act as a wholesale broker or an MGA.

- **The use of commission ranges when displaying commission amounts:** The level of commission must be displayed as an individual number as opposed to a range, where possible. When a firm’s level of commission depends on individual circumstances and can only be displayed as a range, the firm must explain the arrangement in the summary and the basis on which the level of commission within the range is decided should be disclosed. In that regard, the disclosure needs to specify which of the factors is relevant in respect of each arrangement; and
- **The publication and accessibility of the information required under Provision 4.58A:** Where a firm operates a website, it must be easy for consumers to locate the required information on the retail intermediary’s website. [The Guidance](#) provides further clarification in relation to the use of links and to the format of presentation of the required information. Where a firm does not operate a website, it is permitted to make the information available to the consumer in either soft copy form or hard copy form.

Where possible, commission must be displayed as an individual number as opposed to a range. If it can only be displayed as a range, you must explain the arrangement in the summary and include the specific factors on which the level of commission within the range is decided.

Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

Making broker commissions clearer

Protecting consumers

We're introducing new rules about broker commissions.

The rules are designed to protect you by making broker commissions **clearer** & **more transparent**.

From 31 March 2020 all financial brokers¹ in Ireland must...

- ...tell you about any commission they receive for selling you a financial product or service.
- ...not call themselves **"independent"** if they take a commission where advice is provided.
- ...not take a commission that could go against your best interests.
- ...not accept hospitality like golfing trips or sports tickets from financial product or service providers.

Note: 1. A financial broker, also known as a retail intermediary, is a regulated firm that engages in intermediation (middleman) activities relating to certain financial products and/or provides advice in relation to those products.

Fitness and Probity

The F&P Regime was introduced by the Central Bank under the Central Bank Reform Act 2010 (the 2010 Act) to ensure that regulated firms, and individuals who work in these firms, are committed to high standards of competence, integrity and honesty, and are held to account when they fall below these standards.

Themed Inspections

Recent Central Bank inspections evaluating the processes in place within firms to manage compliance with the requirements of the F&P Regime highlight a number of common issues and shortcomings, as well as a wide divergence of standards, in the implementation of the F&P Regime.

In November 2020, the Central Bank issued a [letter to the management of all firms](#) setting out its expectations that firms take appropriate action to address the issues identified by thematic inspections and reminding them of their legal obligations under the F&P Regime.

The letter reminds firms that the F&P Regime is a cornerstone of the regulatory framework in Ireland. It further reminds firms of their due diligence obligations under Section 21 of the 2010 Act. The Central Bank will continue to engage with firms to assess the robustness of their application of the F&P Regime and will initiate necessary supervisory responses to any weaknesses identified.

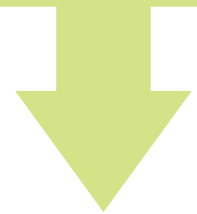
PCF roles

The decision as to which PCF is appropriate for a retail intermediary depends on a number of factors, namely the size and complexity of the firm and whether, for example, the person is:

- Responsible for the direction or management of the firm;
- Responsible for providing advice or information to consumers on retail financial products;
- In the direct management or supervision of such persons;
- Arranges or offers to arrange retail financial products for consumers; or
- Exercising any of the specified functions set out in Appendix 2 of the [Minimum Competency Code \(MCC\)](#).

Firms should apply substance over form when reviewing such functions and be mindful that it is the function rather than the job title of the individual performing that function that determines which PCF category, if any, it falls under.

The Central Bank issued a letter to all firms in November 2020, setting out findings arising from thematic inspections. Firms should take appropriate action to address these issues, where relevant.



Firms have responsibility to ensure that people working in key roles are fit and proper to hold those positions.



Is it a PCF role? Consider if the person is:

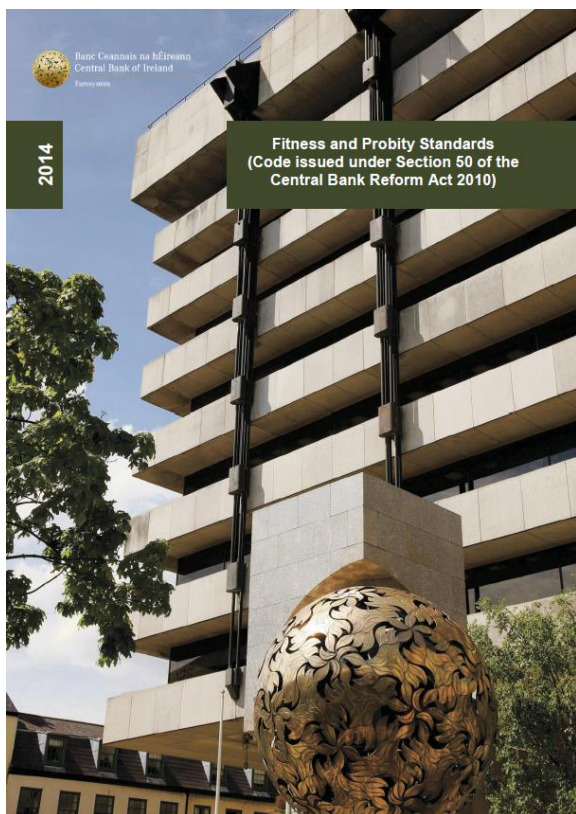
1. Responsible for the direction or management of the firm;
2. Providing advice or information to consumers on retail financial products;
3. Managing or supervising such persons;
4. Arranges or offers to arrange retail financial products for consumers; or
5. Exercising any of the specified functions set out in Appendix 2 of the MCC.

The most relevant PCF roles for intermediaries are likely to be:

- Executive Director (PCF-1);
- Non-Executive Director (PCF-2);
- Chief Executive (PCF-8);
- Head of Compliance (PCF-12);
- Head of Compliance with responsibility for AML/CTF (PCF-15); or
- Head of Retail Sales PCF Function (PCF-17).

In October 2020, the Central Bank published [Additions to the list of Pre-Approval Control Functions](#). Firms should review their functions and determine whether any would meet the PCF roles as listed in the Amending Regulations 2020 (S.I. No 410 of 2020) (Amending Regulations 2020).

The F&P Regime is central to the Central Bank’s role as a gatekeeper for the financial system, ensuring that it can fully assess whether the most senior people working in the financial services industry are fit and proper. This is critical to the protection of the public interest and to ensuring that there is public trust and confidence in the financial system. Further information in relation to the F&P Regime can be found on the Central Bank website [here](#).



Firms should apply substance over form when reviewing such functions and be mindful that it is the function, rather than the job title, that determines if a role is a PCF role.



The F&P Regime is central to the Central Bank’s role as a gatekeeper for the financial system, ensuring that it can fully assess whether the most senior people working in the financial services industry are fit and proper.



Enforcement action will be taken against firms that fail to put in place, or fail to follow, proper systems and controls to ensure compliance with the F&P Regime.

Enforcement Update

The Central Bank has recently concluded an enforcement action which involved failures by a retail intermediary to comply with specific provisions of the Consumer Protection Code 2012 in relation to having adequate systems and controls to allow it to correctly apply fees and communicate clearly on fees to its customers in order for them to make informed financial decisions.

The Central Bank expects that all regulated firms should have adequate processes, systems and controls in place to ensure compliance with the Code and all relevant regulatory requirements. Where adequate controls are not maintained and monitored on an ongoing basis, it can result in unclear communications and incorrect information being provided to customers.

In particular, retail intermediaries must also ensure they have taken the following steps:

- Relevant staff are trained on the Code's requirements on an ongoing basis;
- The completion of regular checks to ensure the firm is in compliance with the Code;
- Ensure that any failures that may occur are identified and rectified early; and
- Ensure that full disclosure is made of all relevant material and key information is presented in plain and intelligible English and in a clear and accurate way that actually informs its customers.

When reviewing compliance with regulatory requirements, it is important that firms continue to ask themselves whether they have acted honestly, fairly, and professionally, and in the best interests of their customers.

For more information on recent [enforcement actions](#) and [Prohibition notices](#), please see the Central Bank's website.



Regulated firms are required to have adequate processes, systems and controls in place to ensure compliance with the Code and all relevant regulatory requirements.



Firms must ensure that:

Relevant staff are trained on the Code;

Any breaches of the Code are identified and rectified; and

When informing customers of breaches the language is clear and accurate.



Firms must continue to ensure they have acted honestly, fairly and professionally with customers best interests at heart.

Common Errors and Reminders

The Central Bank has identified a number of common errors and trends as part of our ongoing supervision of the retail intermediary sector. We would like to highlight these and to remind firms of their obligations in this regard, as well as provide guidance on how to avoid these common errors.

Reporting Requirements for Retail Intermediaries

All authorised retail intermediaries are required to submit the Retail Intermediary Annual Return (RIAR) to the Central Bank no later than six months after their financial year-end. The RIAR must be submitted electronically via the Central Bank's [Online Reporting System \(ONR\)](#).

The RIAR is a key supervisory tool used by the Central Bank to assess key risk indicators at both a firm and sectoral level. In particular, the Central Bank uses the RIAR to monitor firms' compliance with their key regulatory obligations, such as holding adequate professional indemnity insurance cover, and in the case of investment intermediaries, maintaining a positive net asset position.

It is vital, therefore, that firms submit complete and accurate information in the RIAR, in a timely manner. Further details on the reporting requirements for firms are available from the Central Bank website [here](#).

Fee & Commission Reporting

The Central Bank funding levies, which are payable annually by firms are determined by the total income from fees and income from commission as submitted through the RIAR.

To ensure firms are charged the correct levy, it is important that firms report their fee and commission income correctly under rows 17 & 18 of the financial section of the RIAR.

Common reporting issues include:

- **Keying errors** (e.g. adding additional zeros);
- **Fee and commission income** earned by the firm during the period for activities regulated by the Central Bank should be shown as **gross**, i.e. before deduction of any fee or commission payable to a third party (including inter-group companies);
- **Firms reporting zero income**, but not providing an adequate explanation in row 22 of the financial section as to the reason for zero reporting. Please note, firms are required to explain why

The RIAR must be submitted no later than six months after your financial year-end. Follow-up action will be taken by the Central Bank where the submission due date is not met.



Common reporting errors include:

1. Keying errors, e.g. adding a zero in error;
2. Fee and commission income should be reported gross, i.e. it should not be netted;
3. Zero income reporting - a clear explanation is required;
4. All income for regulated activity, i.e. activity for which the firm holds an authorisation, must be reported.

they require a Central Bank authorisation if they are not trading for an extended period. Where a firm is no longer trading it should complete the revocation form at this [link](#) and return it by email to revoke@centralbank.ie.

- **All income earned for regulated activities**, i.e. activities for which the firm holds an authorisation must be reported.

All figures entered in the RIAR must be based on documentary evidence (audited accounts or management accounts, where relevant), which must be available to the Central Bank on request.

Professional Indemnity Insurance (PII)

PII is a key prudential requirement and consumer protection safeguard. The Central Bank has noted a high level of compliance to the PII requirements for the past number of years. However, in some cases the following reporting errors and non-compliance were noted:

- **Failure to maintain minimum levels of PII cover:** Failure to hold the minimum level of PII (where required under the authorisations held) is a breach of regulatory requirements and has and will lead to supervisory intervention (including, but not limited to, administrative sanction or involuntary revocation). Guidance for retail intermediaries on the requirement to hold PII cover is available on the [Central Bank website](#);
- **Failure to ring-fence PII cover limits for each authorisation/registration held:** Where an aggregate limit applies to a policy, firms are required to hold separate, ring-fenced cover in relation to each authorisation/registration type that requires the firm to hold PII cover;
- **Regulated Activities and Legislation:** The regulated activities to be covered by the PII policy and the legislation under which these activities are authorised/registered must be clearly set out in the policy documentation; and
- **Inclusion of Retroactive Dates:** Firms should be aware that the inclusion of a specified retroactive date in PII policies may result in a firm being in breach of its requirement to hold satisfactory PII cover. As PII policies are underwritten on a claims-made basis, the inclusion of a retroactive start date may mean that the insurer will not be liable to cover any claims which arise from wrongful acts committed by the policyholder before the specified (retroactive) date.

All figures entered in the RIAR may be queried by the Central Bank and must be based on documentary evidence, i.e. audited accounts or management accounts, where relevant.

Firms are reminded that failure to hold PII, where relevant is a breach of regulatory requirements.

Firms are required to hold separate, ring-fenced cover in relation to each authorised activity that requires the firm to hold PII cover.

- ✓ **Insurance intermediaries:** PII cover must be continuous from the date of a firm's registration under the European Union (Insurance Distribution) Regulations 2018 (IDR). A retroactive date which matches the date of is acceptable.
- ✓ **Investment intermediaries:** for firms authorised under the Investment Intermediaries Act 1995 (IIA) before 1 October 2014 (the date the requirement to have PII for IIA authorised firms came into effect), a retroactive date of 1 October 2014 is acceptable. For firms authorised after this date, a retroactive date which matches the date of authorisation is acceptable.
- ✓ **Mortgage Credit intermediaries:** A retroactive date which matches the date of authorisation under the European Union (Consumer Mortgage Credit Agreements) Regulations 2016 (CMCAR) is acceptable.

Changes or Amendments after Authorisation

After authorisation/registration has been granted, firms must inform the Central Bank of specific changes or amendments that have occurred since authorisation. Notification of these changes should be completed via the Portal or via email to postauthorisations@centralbank.ie. A comprehensive list of changes that are required to be made via the Portal or through email are available [here](#).

Annual Pre-Approval Controlled Function (PCF) Return

As part of firms' continuing obligations in relation to the F&P Regime, the PCF Confirmation Return must be completed on an annual basis. This return is an annual confirmation required from each firm in respect of each active PCF holder within the firm, confirming that they are compliant with the F&P Standards and continue to agree to abide by those Standards. The return must be submitted electronically via the ONR. Guidance on the PCF Confirmation Return is available [here](#).

Error Reporting

In accordance with the Code, firms must resolve all errors speedily and no later than six months after the date the error was first discovered. Where an error, which affects consumers has not been fully resolved within 40 business days of the date the error was first discovered, a firm must inform the Central Bank on paper or through another durable medium, within five business days of that deadline.

The [Error Notification Template](#) can be used as a guide in the event that an error is to be reported to the Central Bank and should be sent to brokers@centralbank.ie.

Inclusion of a retroactive date may result in firms being in breach of their requirement to hold satisfactory PII cover. A retroactive date which matches the date of registration or authorisation is acceptable.



Firms are advised that any changes that are made post authorisation must be reported to the Central Bank in a timely manner.



Reminders

1. Firms are required to submit their PCF confirmation return on an annual basis. This return is a confirmation from the firm that they are compliant with the F&P Standards.
2. Firms must aim to ensure that errors are resolved no later than six months after the error was discovered.

Sustainable Finance Disclosure Regulation

The Sustainable Finance Disclosure Regulation (the SFDR) sets out sustainability disclosure requirements for a broad range of financial market participants, financial advisers and financial products, which supplement existing disclosure rules. Financial market participants relate to all sectors, including, fund managers, pension providers, insurance-based investment product providers, MiFID investment firms and credit institutions. Financial advisers also include any insurance intermediaries, which provide insurance advice with regard to investment based insurance products (IBIPs).

One of the aims of the EU Action Plan on Sustainable Finance, set out in 2018, is to redirect capital flows towards sustainable investment in order to achieve sustainable and inclusive growth. The SFDR forms part of that broader suite of sustainability related legislation. Also included is the Taxonomy Regulation, the aim of which is to strengthen protections for investors by ensuring that firms and advisors provide appropriate information and transparency to investors on the sustainability of the financial products they are offering or advising upon thereby, reducing the risk of 'greenwashing'.

Key Requirements

The requirements in the SFDR relate to:

- How financial product manufacturers and financial advisers should inform end-investors about sustainability risks; and how the impact of investments on the environment and society should be disclosed; and
- How financial products that are marketed as sustainability-related actually meet that ambition.

Application Date

The regulation came into effect on the 10 March 2021, and most firms must comply with the disclosure obligations from that date. In the case of smaller firms, with less than three employees, the requirements will apply from 10 March 2022, in accordance with the European Union (Sustainability-related Disclosures in the Financial Services Sector) Regulations 2021.

The European Supervisory Authorities (the ESAs) prepared Regulatory Technical Standards (RTS) under the SFDR and the final report containing these draft RTS was delivered to the Commission on 4 February 2021.

Did you know?

The SFDR forms part of the EU Action Plan on Sustainable Finance. It sets out sustainability disclosure requirements, which supplement existing disclosure rules.



Key requirements of the SFDR include:

1. How product manufacturers and financial advisers should inform end-investors about sustainability risks; and
2. How financial products that are marketed as sustainability-related actually meet that ambition.



The SFDR came into effect on the 10 March 2021, and most firms must comply with the disclosure obligations from that date. For firms with less than three employees, the requirements will apply from 10 March 2022.

The European Commission is expected to endorse the draft RTS within 3 months of their receipt. The proposed application date of the RTS is 1 January 2022.

Supervisory Statement

In order to achieve the consistent application and national supervision of the SFDR, promoting a level playing field and the protection of investors, the ESAs published a [joint supervisory statement](#) on 25 February 2021.

The joint supervisory statement recommends that the draft RTS be used as a reference for financial market participants and financial advisers when applying the provisions of the SFDR in the interim period between the application of SFDR (10 March 2021) and the application of the RTS (proposed in the draft RTS as 1 January 2022).

The ESAs have also set out more specific guidance on the application of timelines of some specific provisions of the SFDR in an Annex to the supervisory statement, in particular on the application timeline for entity-level principal adverse impact disclosures and for financial products' periodic reporting. In addition, the Annex includes a summary table of the relevant application dates of the SFDR, the Taxonomy Regulation and the related RTS.

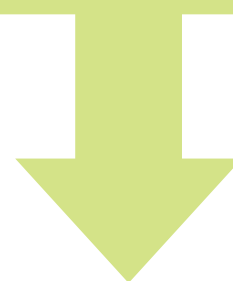
Central Bank Expectations

In a recent speech by the Director General, Financial Conduct, Derville Rowland to the BPF1 membership forum, it was highlighted that the Central Bank expects that regulated entities will treat their sustainable finance obligations as matters of priority. Financial market participants and financial advisers are encouraged to use the interim period to prepare for the application of the RTS.



Did you know?

The ESAs published a joint supervisory statement on the application of the SFDR which recommends that the draft RTS be used as a reference when applying the provisions of the SFDR in the interim period between the application of SFDR (10 March 2021) and the application of the RTS.



The ESAs have set out more specific guidance on the application of timelines of some specific provisions of the SFDR in an Annex to the supervisory statement.



Financial market participants and financial advisers are encouraged to use the interim period to prepare for the application of the RTS.

2020 Industry Funding Levy

Industry funding levies for year-end 2020 will issue on an arrears basis in September 2021 and a recovery rate of 75% will apply (the 2019 recovery rate was 70%).

We would like to take this opportunity to thank firms collectively for widespread compliance with levy obligations and to assure those who pay promptly, that we pursue non-payers up to and including Court judgement to ensure that those who do pay are not also subsidising those who don't.

As noted in the 'Common Errors and Reminders' article, please ensure that you have checked and verified that your regulated fee and commission income reported in the RIAR is accurate. This is key, as the reported fee and commission income will form the basis to determine whether your firm is in scope for the variable fee component and to calculate the amount due (where applicable).

If you have an outstanding balance from last year, please contact us to discuss options.

Queries on individual levies can be addressed to billing@centralbank.ie, while queries in relation to industry funding levy policy matters can be directed to brendan.sheridan@centralbank.ie.

The industry funding levy invoices for 2020 will issue on an arrears basis in September 2021.

Firms are reminded that the fee and commission income figures reported in the RIAR are used to calculate your funding levy and should be checked and verified before submission.

Investor Compensation Company DAC (ICCL)

Funding Consultation Paper (2022-2025)

The ICCL is currently preparing a consultation paper in relation to the future funding model for the ICCL and the associated proposed levy rates for the period August 2022 to July 2025. It is intended to publish the consultation paper in Quarter 4, 2021 on the ICCL's [website](#) and all firms will be notified directly of its publication. Industry representative bodies will also be invited to comment on the proposals for the three-year period commencing 1 August 2022.

It is intended that the ICCL will review submissions in early 2022 and engage with relevant parties as appropriate, with a view to publishing revised Funding Arrangements on the ICCL [website](#) by 31 May 2022. The effective date for the revisions will be 1 August 2022.

The ICCL is currently preparing a consultation paper in relation to the future funding model for the ICCL and the associated proposed levy rates for the period August 2022 to July 2025. Publication is scheduled for Q4 2021.

Further information is available on the ICCL website.

Reminders

We hope that you have found this newsletter useful. To sum up, remember to:

- Sign up to the 'Central Bank of Ireland Portal' – further information can be found on the [Central Bank website](#);
- Check out the new [Fitness and Probity Interview Guide](#);
- Keep an eye out for updates on the [Covid-19 Hub](#);
- Familiarise yourself with the key priorities and risks set out in the [Consumer Protection Outlook Report](#);
- Consider the [Business Interruption Insurance Supervisory Framework](#) and whether you have a role to play;
- Ensure that you hold the appropriate authorisation if you undertake loss assessing or claims handling;
- Keep an eye out for the Consultation paper on the Consumer Protection Code;
- Check out the updated [Guidance on the Requirements in relation to Commission Arrangements](#);
- Review your obligations under the F&P Regime;
- Submit your annual return on time;
- Take action to avoid the common errors listed in the article above;
- Check your PII policy to make sure that you hold appropriate PII cover;
- Familiarise yourself with the SFDR regulations;
- Take action to ensure that your firm is up-to-date with the Funding and ICCL levies; and
- Keep an eye out for the ICCL Consultation paper on the future funding model.

As always, we welcome your [feedback](#) on the content and frequency of this newsletter as well as any suggested topics that you would like to see covered in future editions.

We all have a role to play



One of our key priorities in consumer protection over the past number of years has been to influence a positive cultural change in regulated firms, while also continuing to monitor compliance with rules and standards and then intervening to enforce those rules and standards where necessary. Retail intermediaries also have an important role to play. As the sellers of financial products and services – it is you who is responsible, first and foremost, for protecting the consumers you deal with.



We welcome your feedback on the content and frequency of this newsletter, as well as any suggested topics that could be covered in future editions.



We all have a role to play when it comes to protecting consumers.



Central Bank Query	Central Bank Contact
<p>Consumer Protection – Retail Intermediaries:</p> <p>Authorisation queries</p> <p>Supervision queries</p> <p>Revocation queries</p> <p>Post Authorisation queries</p> <p>Brexit related queries</p> <p>Statutory Duty Confirmation Reports</p> <p>Portal Support</p>	<p>RIAuthorisations@centralbank.ie</p> <p>brokers@centralbank.ie</p> <p>revoke@centralbank.ie</p> <p>postauthorisations@centralbank.ie</p> <p>ribrexitcontingency@centralbank.ie</p> <p>statutoryduty@centralbank.ie</p> <p>portalsupport@centralbank.ie</p> <p>Postal Address: Retail Intermediaries Supervision Consumer Protection Supervision Central Bank of Ireland PO Box 559 New Wapping Street North Wall Quay Dublin 1 D01 F7X3</p>
<p>Consumer Protection: Policy</p> <p>Policy queries</p> <p>Minimum Competency Code</p>	<p>code@centralbank.ie</p> <p>competency@centralbank.ie</p>
<p>Queries for other Central Bank Divisions:</p>	<p>Central Bank website</p>
<p>Anti-Money Laundering/Countering Terrorist Financing</p>	<p>AMLpolicy@centralbank.ie</p>
<p>Fitness and Probity:</p> <p>Individual Questionnaire queries</p>	<p>fitnessandprobity@centralbank.ie</p>
<p>Funding Levy</p>	<p>billing@centralbank.ie</p>
<p>Online Reporting queries</p>	<p>onlinereturns@centralbank.ie</p>