Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

2022

June Issue

Intermediary Times

Welcome to the Intermediary Times

Welcome to the first edition of the Intermediary Times for 2022. 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:

- Recent developments:
  - Amendments to the list of Pre-Approval Controlled Functions;
  - A new Legal Entity Identifier requirement for some types of retail intermediaries;
  - New features of the Central Bank Portal; and
  - Updates relating to the Sustainable Finance Disclosure Regulations (SFDR);
- An overview of the Consumer Protection Outlook Report 2022;
- Implications for Insurance Intermediaries of the new insurance regulations relating to Differential Pricing;
- Learnings relating to Authorisations and the Fitness and Probity (F&P) Assessment; and
- Recent Central Bank publications relevant for retail intermediaries:
  - Use of Exempt Ancillary Insurance Intermediaries in the Insurance Sector; and
  - Structured Retail Products.

We hope that you find this newsletter useful and as always, we welcome your feedback, as well as any suggested topics that could be covered in future editions.

Wesley Murphy
Head of Consumer Protection: Insurance & Intermediaries

Contents

What's New

Amendments to the list of Pre-Approval Controlled Functions

With effect from 5 April 2022, the Central Bank of Ireland (Central Bank) has introduced new F&P Regulations to create and amend Pre-Approval Controlled Function (PCF) roles as follows:

- PCF16 Branch Manager in other EEA countries expanded to include Branch Managers in non-EEA countries;
- PCF2 split into:
  - PCF2A Non-Executive Directors;
  - PCF2B Independent Non-Executive Directors;
- A new standalone PCF introduced in respect of:
  - PCF52 (Head of Anti-Money Laundering and Counter Terrorist Financing Compliance);
- PCF31 Head of Investment amalgamated with PCF30 Chief Investment Officer;
- PCF15 is discontinued (Head of Compliance with responsibility for Anti-Money laundering and Counter Terrorist Financing); and
- PCF3 to PCF7 are retitled (Chairman to Chair).

With effect from 5 April 2022, the Central Bank has introduced new F&P Regulations to create and amend PCF roles.

For persons performing PCF2B, PCF16 and/or PCF52 before 5 April 2022, an 'In Situ' process is now available **until 30 June 2022** on the Online Reporting System (ONR) whereby an Individual Questionnaire (IQ) is not required. Further information in relation to the 'In Situ' process is available here.

Persons proposed for these roles after the 5 April 2022 must submit PCF applications via the normal process – that is, the submission of an IQ. Those individuals are now subject to the F&P Standards. It is a matter for you to decide if you have these PCFs in your firm. However, if you have any questions as to whether your firm has these PCF roles, you may contact the supervision team on brokers@centralbank.ie.

It is a matter for you to decide if you have these PCFs in your firm. However, if you have any questions as to whether your firm has these PCF roles, you may contact brokers@centralbank.

Where your firm has individuals performing PCF16 in a non-EEA country or performing a PCF52 role who had not previously been approved by the Central Bank, you must perform the required due diligence on these PCF role holders as set out in the F&P Guidance.

Legal Entity Identifiers for Passporting Retail Intermediaries

From 1 July 2022, retail intermediaries that carry out cross border business in an EU Member State are required to have a Legal Entity Identifier (LEI) – in line with EIOPA Guidelines. This applies to retail intermediaries currently availing of an EU passport, and to any retail intermediaries intending to passport in the future. Retail intermediaries notifying the Central Bank of an intention to passport will be required to provide an LEI as part of the Passport Notification Form. The Central Bank will issue correspondence to all relevant retail intermediaries in the coming days in this regard.
All correspondence, including any queries, should be directed to idd.notifications@centralbank.ie.

Note: An LEI is a 20 digit alpha numeric code unique to each entity. The LEI system in Ireland is run by Euronext. Further information can be found at https://direct.euronext.com/#/lEIServices.

Did you know?

From 1 July 2022, retail intermediaries that carry out cross border business in an EU member state are required to have a Legal Entity Identifier.

Sustainable Finance Disclosure Regulations

The three European Supervisory Authorities (EBA, EIOPA and ESMA – the ESAs) have updated their joint supervisory statement on the application of the Sustainable Finance Disclosures Regulation (SFDR). Retail intermediaries should familiarise themselves with the updated joint supervisory statement, as it provides advice on, inter alia, the use of estimates to calculate the taxonomy-alignment of in-scope financial products, and clarifies financial product disclosure obligations.

The three European Supervisory Authorities have updated their joint supervisory statement on the application of the SFDR.

It is recommended that Financial Market Participants (FMPs) use the remaining time period from now to the introduction of the Regulatory Technical Standards (RTS) on 1 January 2023 to prepare for their implementation. The draft Level 2 RTS measures may be used as a reference for the purposes of applying the disclosure obligations set down under the SFDR. It should be noted that the draft RTS may, however, be subject to change.

The Central Bank recommends that retail intermediaries familiarise themselves with the updated joint supervisory statement.

We also remind retail intermediaries of the Central Bank's November 2021 Dear CEO letter, which outlines our supervisory expectations with respect to disclosures, amongst others, and emphasises that firms need to ensure that they do not engage in the practice of 'greenwashing'.

Recent Speeches

- On 11 May, Governor Gabriel Makhlouf, gave a speech at the Financial Industry Forum;

- On 27 April, Derville Rowland, Deputy Governor, Consumer and Investor Protection gave a speech at the Institute of Banking / Compliance Institute seminar, on The importance of effective governance, culture and agility in a changing environment;

- On 1 April, Governor Gabriel Makhlouf, gave a speech at the 175th Anniversary of Banco de Portugal on Rebuilding Social Capital: the role of Central Banks;

- On 30 March, Governor Gabriel Makhlouf, provided opening remarks on the economic outlook, the financial system in Ireland, the Central Bank Strategy and regulatory priorities for 2022, at the Joint Oireachtas Committee on Finance, Public Expenditure and Reform, and Taoiseach;

- On 30 March, Gerry Cross, Director, Financial Regulation Policy & Risk provided opening remarks on the changing financial services landscape, retail banking, differential pricing and climate risks at the Joint Oireachtas Committee on Finance, Public Expenditure and Reform, and Taoiseach;

- On 23 March, Mark Cassidy, Director, Economics & Statistics gave a speech at Oireachtas Select Committee on Budgetary Oversight;

- On 21 March, Sharon Donnery, Deputy Governor, Central Banking gave a speech at the joint Central Bank of Ireland, European Investment Bank, ESRI conference, Business Finance & Investment: Recovering from the Pandemic, Preparing for Future Challenges; and

- On 11 March, Derville Rowland, Deputy Governor, Consumer and Investor Protection gave a speech at the FSI Executive Board engagement on The role of financial regulation in building resilience, anticipating risk, and protecting citizens – in steady times and through shocks.

Governor Gabriel Makhlouf

Derville Rowland, Deputy Governor, Consumer and Investor Protection

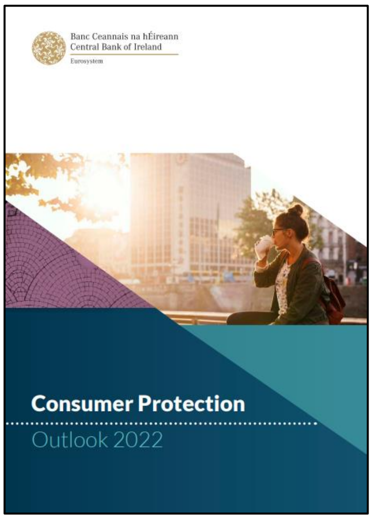
Sharon Donnery, Deputy Governor, Central Banking

Mark Cassidy, Director, Economics and Statistics

Gerry Cross, Director, Financial Regulation Policy & Risk

Consumer Protection Outlook Report

The latest Consumer Protection Outlook Report (the Outlook Report) was published in March. We encourage all retail intermediaries to take a look at the Outlook Report as it details key cross-sectoral risks facing consumers of financial services. We expect financial firms to take concrete actions to identify, mitigate and manage these risks in their businesses so that the best interests of consumers are protected.



The key cross-sectoral risks identified by the Central Bank are:

1. **Poor business practices and weak business processes**
   The fundamental responsibility of a financial service provider is to provide a good quality service in a manner that places the best interests of the consumer at the centre of how that service is designed and delivered. Poor business practices and weak business processes disrupt this, and can lead to consumer harm.

2. **Ineffective disclosures to consumers**
   Where firms fail to give clear information at any point in the life of a product or service, this will affect the consumer's ability to make informed decisions and could result in harm.

3. **The changing operational landscape**
   The financial landscape is undergoing a number of significant changes. Firms must navigate this rapid change in a manner that places the best interests of consumers at the heart of their decision-making and avoid creating risks to consumers.

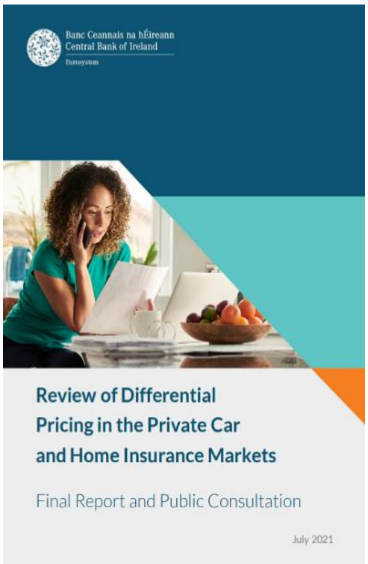
4. **Technology-driven risks to consumer protection**
   Technology provides great opportunities to improve access to and choice of financial services and it is increasingly central to all aspects of our lives. As firms develop and deploy new technologies, they must ensure that they pay sufficient care to also mitigating the risks of harm to consumers that can arise from the use of those technologies.

5. **The impact of shifting business models**
   The developments outlined in this report are leading many firms to re-evaluate their services and how they provide them and/or looking to innovate and re-design their business models. As they do so, it is imperative that changes made have at their heart the provision of a better service to consumers and that they manage the transition for consumers in a manner that is responsible, transparent and fair.

The Outlook Report details key cross-sectoral risks facing consumers of financial services, as well as what we expect financial firms to do about those risks.

In addition to publishing the risks, this year, we are seeking views on them. If you wish to contact us with your views on the risks, you can reach us at outlookreport@centralbank.ie

New Insurance Regulations relating to Differential Pricing



The Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1) (Insurance Requirements) Regulations 2022[1] (the Regulations) were published on 15 March 2022 and come into effect on 1 July 2022, following a full review and public consultation.

These Regulations, applicable to insurance undertakings and insurance intermediaries, were introduced to benefit consumers and enhance the consumer protection framework. The new requirements span three key areas:

1. **Pricing - A ban of price walking in home and motor insurance markets:**
   - The Regulations apply to insurance policies entered into after the commencement of the Regulations, including renewals; and
   - This means that, from 1 July 2022, insurance providers[2] cannot charge consumers who are on their second or subsequent renewals a premium that is higher than they would have charged a year one consumer renewing their policy.

2. **Annual Review of pricing practices and policies:**
   - Insurance providers are required to review pricing practices and policies for all customers to ensure compliance with these Regulations and also General Principle 2.1 of the Code;
   - This should be a comprehensive review completed within two months of each year end; and
   - There is no requirement to submit details of the annual review to the Central Bank; however, firms must keep written records of annual reviews undertaken.

3. **Disclosure of additional information to policyholders in relation to automatic renewal arrangements including:**
   - Notification that the policy will automatically renew if the consumer does not cancel the automatic renewal before a specified date;
   - Details of how the consumer can cancel the automatic renewal arrangement; and

These new Insurance Regulations introduce requirements in three areas:

1. Pricing - A ban of price walking in home & motor insurance markets;

2. Annual review of pricing practices and policies; and

3. Disclosure of additional information to policyholders in relation to automatic renewal arrangements.

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[1] https://www.centralbank.ie/docs/default-source/regulation/consumer-protection/other-codes-of-conduct/insurance-regulations-requirements-2022.pdf?sfvrsn=6.

[2] 'Insurance provider' in this context includes non-life insurance undertakings and insurance Intermediaries, including Managing General Agents.

- Insurance providers must ensure that they offer consumers the option to opt out of automatic renewal arrangements using all the mediums used by the provider to conduct general business.

When publishing the Regulations, Derville Rowland, Deputy Governor, Consumer and Investor Protection said:

"Financial services providers are responsible for providing products that meet their customers' needs fairly. We have consistently stated that we will intervene where we have reason to believe that unfair practices are occurring that take advantage of consumer behaviours and habits and we will prioritise the interests of consumers over the behaviours and conduct in firms.

"These new Regulations will significantly enhance the consumer protection framework. This will benefit consumers by removing the loyalty penalty for consumers of long tenure while preserving competition in the market."

The Central Bank expects all insurance providers to have implemented Regulations 4-10 in full (as applicable) by 1 July 2022; ensure senior executive responsibility for implementing the Regulations and; where applicable, ensure a review and endorsement of the implementation of the Regulations is completed by the board of directors by 29 July 2022.

We will continue to review firms' compliance with applicable Regulations and will monitor any developments to ensure that firms are acting in the best interest of consumers and delivering fair outcomes.

Further information on these Regulations and what they mean for insurance intermediaries can be found on the Central Bank's website.

Insurance providers are required to implement Regulations 4 to 10 (as applicable) by 1 July 2022.

The Central Bank expects each insurance provider to:

- assign responsibility to a senior executive; and

- ensure the board of directors, where applicable, has reviewed and endorsed the implementation by 29 July 2022.

The Central Bank Portal – New Features

The Central Bank of Ireland Portal (Portal) provides a secure and comprehensive mechanism for institutions and individuals to engage with the Central Bank on a range of regulatory and statistical services. To date, the core services available through the Portal, facilitate the nomination of a Portal Administrator and, for some sectors, the management of firm-specific master data. We are now extending the services available through the Portal, which we will roll out later this year.

Single Sign-On and Administration Services

The introduction of Single Sign-On will give users the ability to use ONR services through the Portal. This feature will include the introduction of multi-factor authentication, further enhancing the security when accessing returns. In parallel, user administration services and delegation management services will move from ONR to the Portal. We will update you at least five weeks before the 'go-live' date with further information, including a limited number of actions that you will need to complete ahead of the go-live date.

Future Enhancements

Further capability will be added to the Portal over time. This will include services in relation to the Fitness and Probity IQ which will move from the ONR to the Portal in late-2022. The continued development of the Portal will enhance how you engage with the Central Bank in relation to returns in terms of security, services and user experience. We will continue to engage with you on future developments throughout 2022, and provide you with advance notice of any changes to the Portal. Further information and a range of support and training materials will be provided in future communications.

Browser Compatibility: Internet Explorer 11 End of Life

Due to Microsoft's decision to end support for Internet Explorer 11, this browser cannot be supported for use with the Portal. The Central Bank does not require, or recommend, any particular browser as our websites and public-facing applications support the current versions of all major browsers.

Any retail intermediary yet to register for the Portal can do so through this registration link. If you have any queries on any of these features please contact the support team via portalsupport@centralbank.ie.

Did you know?

User services currently operating through the ONR will transition to the Portal. Firms will be advised of the 'go-live' date in advance of any actions required.

Future enhancements will include the addition of the F&P IQ to the Portal.

Browser Compatibility: Internet Explorer 11 End of Life.

Due to Microsoft's decision to end support for Internet Explorer 11, this browser cannot be supported for use with the Portal following the introduction of Single Sign-On service in 2022.

Authorisation of Retail Intermediaries and the Fitness and Probity Assessment

The Central Bank is experiencing consistently high volumes of applications[3] for authorisation as a retail intermediary[4]. In processing these applications, we are increasingly finding that some PCFs proposed by applicant firms are unable to demonstrate how they meet the F&P Standards. The identification of people in key and customer facing positions in the applicant firm, which require Central Bank approval as a PCF, is an important element of each application.

To support you when completing applications, we have set out some useful feedback from the Central Bank's Authorisations Team on common issues arising, which in some cases result in a longer assessment process, including F&P interviews. In addition, we have set out our expectations of applicants, providing some pointers which may aid those considering making an application.

Did you know?

A key element of each application is the identification of personnel in key and customer facing positions in the applicant firm, which require Central Bank approval as a PCF.

Failure to demonstrate how individuals meet the F&P standards can result in an elongated application process.

Being Fit and Proper

The core function of the F&P Regime is to ensure that PCFs within a Regulated Financial Service Provider are competent, capable, honest, ethical and are of integrity, and also financially sound.

Section 3.1 of the F&P Standards requires a person to have the qualifications, experience, competence and capacity appropriate to the relevant function.

Meeting Minimum Professional Standards

The Minimum Competency Code 2017 (MCC 2017), the Central Bank (Supervision and Enforcement) Act 2013 and the Minimum Competency Regulations 2017 set out minimum professional standards for persons providing certain financial services, in particular when dealing with consumers.

[3] Total authorisations / registrations increased by 65 percent from 155 in 2019 to 256 in 2021.

[4] Applications for authorisation can be made under four legislative frameworks:

- EU (Insurance Distribution) Regulations 2018 (IDR) (insurance intermediaries, reinsurance intermediaries and ancillary insurance intermediaries);
- Investment Intermediaries Act 1995 (IIA) (investment intermediaries);
- EU (Consumer Mortgage Credit Agreements) Regulations 2016 (CMCAR) (mortgage credit intermediaries); and
- Consumer Credit Act 1995 (CCA) (mortgage intermediaries).

Common Issues

The two most common issues identified by the Central Bank are:

1. **Applicants not meeting the requirements of MCC 2017 (where applicable)**
   A common misconception among applicants is that minimum competency requirements only apply to persons providing advice to consumers. This is not the case. The requirements also apply to persons:

   - Providing information to consumers on retail financial products;
   - Arranging or offering to arrange retail financial products for consumers; and/or
   - Exercising a specified function as set out on Appendix 2 of the MCC 2017, and includes the supervision of persons providing advice or information to consumers.

2. **Proposed PCFs that do meet the requirements of MCC 2017, but do not meet other aspects of the F&P Standards**
   Firms should note that compliance with the MCC 2017 (where applicable) is not sufficient on its own to meet the F&P Standards. Practical experience in relevant financial services roles is essential for anyone seeking PCF approval. In addition, experience in senior positions is expected for proposed directors of any applicant firm.

The Central Bank has identified a number of common issues related to unsuccessful PCF applications and F&P assessments.

Common issues include:

1. Applicants not meeting the requirements of MCC 2017 (where applicable); and
2. Proposed PCFs that do meet the requirements of MCC 2017, but do not meet other aspects of the F&P Standards.

Expectations of Applicant Firms

The expectations of the Central Bank relate to the minimum standards set out in the F&P Standards and MCC 2017.

Demonstrating Competence

Section 3.2 of the F&P Standards sets out that the person must, among other things, be able to demonstrate that they:

(a) *have professional or other qualifications and capability appropriate to the relevant function;*

(b) *have obtained the competence and skills appropriate to the relevant function, whether through training or experience gained in an employment context; and*

(c) *have shown the competence and proficiency to undertake the relevant function through the performance of previous functions.*

The expectations of the Central Bank relate to the minimum standards set out in the F&P Standards and MCC 2017.

Pointers for Applicants

Retail intermediary applicants are expected to:

- Review and familiarise themselves with the F&P Standards, in particular Sections 3.1 and 3.2 of the F&P Standards;
- Review the MCC 2017 and ensure they fully understand how it applies to their firm and ensure that they can demonstrate compliance with it when submitting an application;
- Nominate a senior person in the firm to be assessed for compliance with relevant minimum competency requirements. It is expected that the person proposed will be a PCF role holder;
- Only propose PCFs that have obtained appropriate relevant experience at a suitably senior level, prior to submitting an application to the Central Bank; and
- Be ready to attend an F&P interview if invited to do so and prepare adequately. The F&P Interview Guide provides information on what to expect if you are called to interview.

In the event that an application is submitted and no suitable PCF is proposed, or the proposed PCF application is rejected as incomplete or withdrawn, the firm's application may be considered incomplete and returned to the applicant.

Further Industry Engagement

Over the coming months, the retail intermediaries Authorisations Team will be trialling engagement with prospective applicants by webinar, with a view to providing helpful tips for completing an application, and to flag some common errors.

We hope that these Intermediary Times articles and engagement sessions will help applicants to better understand the requirements of the retail intermediary authorisation process, which should help improve the quality of applications and therefore shorten the turnaround time for applications.

Pointers for Applicants:

1. Review F&P standards;
2. Review MCC 2017;
3. Nominate a senior person;
4. Have relevant experience; and
5. Prepare for F&P interviews.

Where the firm has not demonstrated that an applicant complies with the PCF standards, this can result in the application being returned to the firm.

Over the coming months, the retail intermediaries Authorisations Team will engage further with prospective applicants to provide helpful tips for completing an application, and to flag some common errors.

The Use of Exempt Ancillary Insurance Intermediaries in the Insurance Sector – Considerations for relevant Retail Intermediaries

The Central Bank completed a review of the use of Exempt Ancillary Insurance Intermediaries (EAIIs) in the Insurance Sector. We undertook this review as our sectoral risk assessment highlighted that the sale of insurance products on an ancillary basis could result in potential risks to consumers. This is because consumers are typically more focussed on the purchase of the primary product, and less on the ancillary insurance product. The review focused on understanding the extent to which EAIIs are used to distribute insurance products in the Irish market, and the level of oversight that EAIIs are subject to, by insurance undertakings/intermediaries, and whether this meets legislative requirements.

The European Union (Insurance Distribution) Regulations 2018 (IDR) introduced an 'ancillary insurance intermediary' as a type of insurance intermediary, as well as the circumstances in which an ancillary insurance intermediary can be exempt from the requirements of the IDR[5] (referred to as an Exempt Ancillary Insurance Intermediary or EAII). Regulation 3 of the IDR also sets out the oversight requirements for EAIIs.

The review included research of the market and an information request to relevant non-life insurance providers, both domestic and EU-based. A subset of insurers and retail intermediaries were then selected for a more detailed analysis, which focussed on the arrangements in place by these entities to perform their oversight obligations in relation to EAIIs.

Based on our analysis, the main product lines distributed through the EAII channel are travel insurance, motor products, gadget and accidental damage insurance. The most typical examples identified during the review included:

(i) Travel agents/airlines that provide travel insurance in conjunction with booking a holiday/flight;

(ii) High street retailers providing gadget/accidental damage insurance with the purchase of an electronic device/white goods;

Did you know?

The European Union (Insurance Distribution) Regulations 2018 introduced an 'ancillary insurance intermediary' as a type of insurance intermediary, as well as the circumstances in which an ancillary insurance intermediary can be exempt from the requirements of the IDR.

Regulation 3 of the IDR also sets out the oversight requirements for EAIIs.

The Central Bank review focused on understanding the extent to which EAIIs are used to distribute insurance products in the Irish market, and the level of oversight that EAIIs are subject to.

[5] Regulation 3 (3) of the European Union (Insurance Distribution) Regulations 2018

(iii) Furniture retailers providing protection insurance in conjunction with buying new furniture;
(iv) Motor dealers that provide extended warranties when selling a car; and
(v) Car hire companies that provide personal accident insurance when hiring a car.

How firms can improve their oversight of EAIIs

The review identified a number of areas that should be addressed by firms, including retail intermediaries, to improve their oversight of EAIIs. The key areas, where differing standards were identified are:

1. **Remuneration arrangements between firms and EAIIs**
   When examining the topic of remuneration, the review team identified varying levels of oversight between firms. For example, while some firms have clear processes, which prohibit incentivisation of EAII staff for selling ancillary insurance products, other firms were unable to confirm the remuneration processes for the sale of such products, which showed a lack of oversight of EAII remuneration practices. Firms should have adequate oversight of EAII arrangements in order to satisfy themselves that the requirements of Regulation 30 (3) are being met and that EAIIs are acting honestly, fairly and professionally in accordance with the best interests of their customers.

2. **Recording of reasons for cancellation of policies**
   The review identified varying standards when recording the reasons for cancellation of policies sold through EAIIs. While all firms were able to provide information on cancellation rates, some firms disclosed that they do not record the reasons behind cancellations. The recording of cancellation reasons can be beneficial as it can help identify potential trends or other issues with how the products are being sold.

3. **Inadequate procedures**
   It was identified during the review that some firms had inadequate procedures, for example, in relation to undertaking audits of EAIIs or for on-boarding of new EAIIs. Firms should ensure that they have adequate procedures in place for overseeing all aspects of their relationship with EAIIs.

Based on the review, the main product lines distributed through the EAII channel are travel insurance, motor products, gadget and accidental damage insurance.

The review identified a number of areas that should be addressed by firms to improve their oversight of EAIIs:

1. **Remuneration arrangements between firms and EAIIs;**
2. **Recording of reasons for cancellation of policies; and**
3. **Inadequate Procedures.**

Structured Retail Products - Expectations for Retail Intermediaries

The Central Bank published the findings from a series of targeted reviews of Structured Retail Products (SRPs) on 22 April 2022. These reviews examined SRPs manufactured and distributed by investment firms in the MiFID investment sector. As SRPs are often sold to retail clients through retail intermediaries authorised to do so, some of the findings are applicable to both investment firms and retail intermediaries.

Did you know?

The Central Bank published the findings from a series of targeted Structured Retail Products (SRPs) on 22 April 2022.

A number of areas were identified where further action is needed by investment firms to ensure their governance and oversight of SRPs keeps pace with an increasingly complex retail investment market so that investors are appropriately protected.

The reviews found a number of poor practices and weaknesses in firms' processes, which increase risks to retail investors. These include: failure by firms to consider potential difficulties investors may have in understanding the complex features involved in some SRPs; failing to present past performance information in a fair and balanced manner; and not including prominent capital at risk warnings in marketing materials.

As SRPs are often sold to retail clients through retail intermediaries, the Central Bank reminds all retail intermediaries that sell SRPs of their obligations to comply with all relevant requirements of the Consumer Protection Code, in particular those in relation to 'knowing the consumer' and 'suitability'.

The Central Bank published its findings and expectations in the form of an industry letter; we recommend that all retail intermediaries that sell SRPs consider these findings and expectations carefully, in light of their obligations under the Consumer Protection Code (Code).

Director of Consumer Protection, Colm Kincaid, said:

"The retail investment market is changing rapidly, with an increasing shift away from traditional, capital protected products to more complex, capital at risk products. As complexity increases, so too do the risks to investors and the responsibilities regulated firms have to protect those investors' best interests. Our recently published Consumer Protection Outlook Report 2022 highlighted a number of risks for consumers from changing business practices and ineffective disclosures on investment products, as well as what we expect regulated firms to do to deal with those risks. The work we are publishing today builds on that Report.

We carried out these reviews because we want to see that regulated firms meet high standards in how they design, manufacture and distribute complex investment products to retail investors. In particular, we want to see that complex investment products are designed with real investment needs in mind, that they are targeted only at investors with those needs and that the risks are properly explained. We are requiring firms to take action to improve their performance on each of these fronts, as well as highlighting good practices which we want to see emulated across the sector."

The role of retail intermediaries

As SRPs are often sold to retail clients through retail intermediaries authorised to do so, the Central Bank reminds all retail intermediaries that sell SRPs of their obligations to comply with all relevant requirements of the Code , in particular those in relation to 'knowing the consumer' and 'suitability'.

Given the increased complexity of SRPs, it is important that retail intermediaries understand the characteristics of the identified target market of each SRP when providing investment advice. In particular, when conducting client suitability assessments for SRPs, retail intermediaries must consider a consumers' '*knowledge & experience*', '*attitude to risk*' and '*the importance of capital security to the consumer*', as set out in the Code.

The Central Bank expects all regulated firms to adhere to high standards of investor protection, acting in the best interests of their clients at all times, and to anticipate, avoid and manage all risks to their clients while delivering fair outcomes that put their clients' interests to the fore. Transparency and effective disclosures are key to enabling investors to make informed decisions that best suit their needs now and in the future.

Retail intermediaries should take any action necessary on foot of this communication to ensure that they are acting in the best interests of their clients. The Central Bank will be cognisant of the issues identified following the targeted reviews of SRPs in its future supervisory engagement with retail intermediaries.

Did you know?

The Central Bank issued an industry letter on 22 April. The expectations outlined in the letter seek to enhance the standard of investor protection afforded to retail clients by regulated entities.

When conducting client suitability assessments for SRPs, retail intermediaries must consider a consumers' 'knowledge & experience', 'attitude to risk' and 'the importance of capital security to the consumer', as set out in the Code.

Retail intermediaries should take any action necessary on foot of this communication to ensure that they are acting in the best interests of their clients.

Reminders

We hope that you have found this newsletter useful. Key takeaways from this edition are:

- Review the amendments to the list of PCFs to determine what, if any, action your firm is required to take;
- Take a look at the Outlook Report on our website and consider actions that could be taken in your firm to avoid potential consumer harm;
- Update your internet browser to ensure continued access to the Central Bank Portal and adhere to the Portal Terms of Use;
- Consider the F&P requirements and expectations of firms and keep an eye out for our upcoming industry engagement on the retail intermediaries application process;
- Review the areas identified that your firm, if applicable, should address to improve your oversight of EAIIs;
- Consider the findings and expectations of the SRP review and comply with all relevant requirements of the Code;
- Review and consider our new insurance regulations relating to differential pricing, ensuring that the Regulations are implemented by 1 July; and
- Review the ESA's updated joint supervisory statement on the application of the SFDR and look back at our November 2021 Dear CEO letter which outlines our supervisory expectations with respect to disclosures, emphasising that firms need to ensure that they do not engage in the practice of 'greenwashing'.

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.

Contact Us

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