Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

2023

November Issue

Intermediary Times

Welcome to the Intermediary Times

Welcome to the second edition of the Intermediary Times for 2023. The purpose of this newsletter is to highlight specific areas of interest, including potential risks to your business, and what you can do to develop your business in a way that puts consumers first. This edition contains information on many important and interesting topics, including:

- Information on the upcoming Roadshows;
- Authorisation initiatives:
    - Mortgage Intermediary renewals; and
    - Authorisation Webinars.
- Updates on the Fitness and Probity (F&P) requirements;
- Information on the Central Bank of Ireland portal (Portal);
- Professional Indemnity Insurance awareness;
- Retail Investment Strategy;
- Update on the Consumer Protection Code review;
- Recent ongoing Suitability review;
- Disclosure Requirements;
- Thematic Inspection update;
- Updates on the provision of Third Country Branches;
- Information on Client Premium Accounts;
- Innovation Engagement; and
- Cybersecurity awareness.

We hope that you find this newsletter useful and as always, we welcome your feedback, as well as any suggested topics that you would like to see in future editions.

Des Ritchie

Head of Consumer Protection: Investment Firms, Intermediaries & Client Assets Division.

Contents

2023 Retail Intermediary Roadshows

This year's Retail Intermediary Roadshows will take place on Thursday 23 November from 9.30am to 1pm in the **Carlton Hotel**, Blanchardstown, Dublin 15, and on Friday 24 November from 9.30am to 1pm in the **Ardilaun Hotel** in Galway.

We will have a range of speakers from across the Central Bank of Ireland (Central Bank) presenting on a variety of topics relevant to the Retail Intermediaries sector, and Continuous Professional Development (CPD) hours will be awarded for full attendance at the event.

By now, all firms will have received an email invitation which includes all relevant information, so please sign up if you haven't already! – Details here.

Any queries in relation to the upcoming Roadshows can be directed to riroadshows@centralbank.ie.

We look forward to welcoming you to the 2023 Retail Intermediary Roadshows.

The Central Bank invites you to attend its 2023 Retail Intermediary Roadshows on 23 November in the Carlton Hotel, Blanchardstown, or in the Ardilaun Hotel, Galway, on 24 November.

Any queries in relation to the upcoming Roadshows can be directed to the Roadshow mailbox.

Authorisations Initiatives

Mortgage Intermediary Renewals under the European Union (Consumer Mortgage Credit Agreements) Regulations 2016 (CMCAR) and/or under the Consumer Credit Act, 1995 (CCA)

The Central Bank is seeking expressions of interest from firms whose mortgage licence has an expiry date and would like to participate in an initiative to replace their licence with an authorisation for an indefinite duration (i.e. evergreen authorisation), earlier than is required by the expiry of their licence. As part of the process, the Central Bank intends to host a Webinar in Q1 2024, specifically for firms seeking to renew their mortgage licence ahead of its expiry date.

To register your interest in participating in this initiative, please email the riauthorisations@centralbank.ie mailbox by 30 November 2023. Please include the firm's full legal name and C number.

If a firm is unsure as to whether their authorisation has an expiry date, they should check their authorisation certificate or the relevant register on the Central Bank website.

Did you know?

Firms who currently hold a Mortgage Intermediary licence that is due to expire are being invited to replace their current licence with an evergreen licence.

To register an interest in the Webinar for renewing a mortgage licence, firms should email the authorisations team for further details.

Retail Intermediary Authorisations Webinar - Completing an Application Form for authorisation as a Retail Intermediary - B Form

The Retail Intermediaries Authorisations Team will be hosting a Webinar on **6 December 2023 at 10.00am** for prospective applicants.

The purpose of the Webinar is to provide applicants with a better understanding of the requirements of the Retail Intermediary authorisation process, provide some helpful tips for completing an application form for authorisation as a Retail Intermediary - B Form, and to flag some common issues that can delay the progress of an application, for example poor referencing, inadequate evidence of appropriate governance, staffing and/or the location of the mind and management of a firm.

Any applicant interested in attending the Webinar should email their contact details to riauthorisations@centralbank.ie.

The Retail Intermediary Authorisations team will also be hosting a Webinar on 6 December to assist applicant firms in the authorisation process.

F&P Updates

Annual Pre-Approval Control Function (PCF) Confirmation

From Q1 2024, the annual PCF confirmation return will be submitted under the F&P section of the Portal. In advance of the go live date, guidance will be available on the Central Bank website. In preparation for the return, firms should ensure that all PCF information is up to date; i.e. PCF start dates and PCF resignations have been submitted in a timely manner.

Did you know?

From Q1 2024, annual PCF confirmations will be submitted via the Portal.

New F&P Application Guidance

Firms are encouraged to review the Central Bank's New F&P application guidance in advance of submitting an Individual Questionnaire (IQ) or updating PCF information. The guidance provides further information on the new IQ application form, the expected due diligence firms are required to conduct and guides on how to use the system. Firms should also ensure that applicants have the required experience to perform the proposed PCF role, as set out in the F&P Standards.

The Central Bank has released new guidance in relation to an F&P application. Firms and potential applicants should review this guidance prior to any submissions.

Reminder for Garda Vetting for F&P Assessments

If you are invited to complete Garda Vetting as part of the PCF application, the address referenced on the Garda Vetting form must be the PCF applicant's home address. The proof of address document should also match this home address.

Portal Update – Returns Services

In the June edition of the Intermediary Times, we took the opportunity to remind Portal users to link their Online Reporting (ONR) accounts to their Portal accounts, which would allow users to access their regulatory returns service via the Portal platform.

The new returns service went live for Portal users on 18 September 2023, with the ONR login facility permanently disabled on the same date. The Portal provides a secure mechanism for firms and individuals to engage with the Central Bank on a range of regulatory services and will continue to be enhanced over time.

The new returns service went live for Portal users on 18 September 2023.

While the look and feel of the annual return screen and its functionality remains largely unchanged, the main difference for users is the new Portal login screen and the addition of some new features. As access to the ONR is now disabled, firms should ensure that they can access the Portal as soon as possible in order to ensure no delays in submitting their annual returns. More information can be found here.

Additional Features

There are a number of additional features now available on the returns screen, which enable users to make certain return related requests via the Portal. These include requests to:

- Unlock a return;
- Amend a reporting / submission date; and
- Remove a return instance.

Firms are requested to make such requests directly through the Portal as this is the most effective means of ensuring such return related requests are directed to the correct team in the Central Bank to action.

Additional features of the new returns system include the ability for firms to submit requests for:

- **Unlocking a return;**
- **Amending a submission date; and**
- **Removing a return instance.**

Portal Messaging

Portal messaging is a secure and efficient means of correspondence between the Central Bank and firms in relation to Portal services. Firms will now be able to use the existing Portal messaging functionality in relation to the Returns service by using the new 'Create New Message' function. Firms are requested to submit queries in relation to a return type or return instance via Portal messaging. 'Messaging' permissions and 'create request' permissions must be enabled and Portal administrators are reminded they currently have the ability to enable both permissions for users in their firm.

Firms now have the ability to assign their designated Portal users as specific contacts for each return.

Enhanced Filing Notification

An enhanced filing notification service for returns is also now available. This service allows Portal administrators to assign their firm's Portal users as the contacts for specific (or all) returns. Users assigned as a contact will receive notifications advising them when a return is due or if the due date has passed without submission.

Firms can contact the Portal Support Team portalsupport@centralbank.ie with any queries in relation to logging into the Portal or any of the new functionalities.

Change to Method of Submission of Notifications

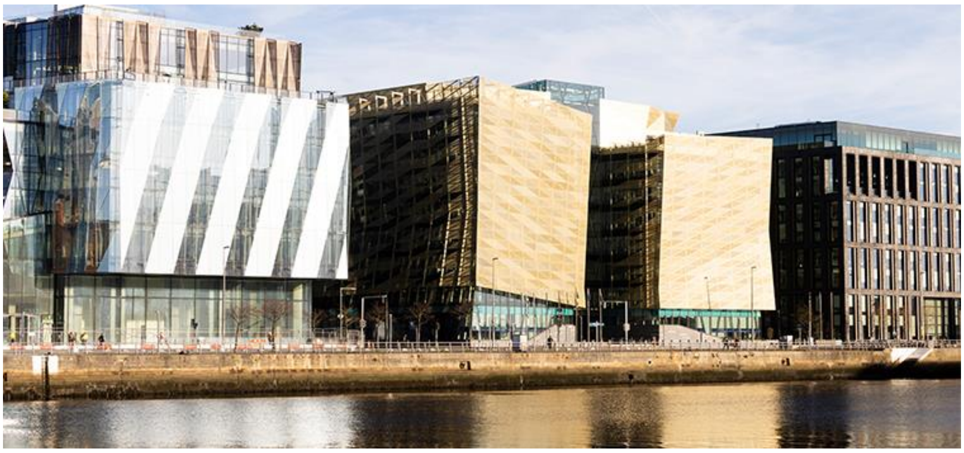
The Central Bank wishes to inform firms of a change to the process for receiving notifications of appointments, amendments and terminations relating to Investment Intermediaries, under Section 31 of the Investment Intermediaries Act 1995 (IIA) and Mortgage Credit Intermediaries, under the CMCAR.

Previously, these notifications were emailed to section31@centralbank.ie or postauthorisations@centralbank.ie. Since 9 October 2023, all notifications of appointments, amendments and terminations relating to Investment and Mortgage Credit Intermediaries must be submitted via the Portal as a 'Change Request'.

Notifications from Investment Intermediaries or Mortgage Credit Intermediaries that are submitted to section31@centralbank.ie, or postauthorisations@centralbank.ie after 9 October will not be processed and may result in delays. Instead, firms are directed to submit their notifications via the Portal.

All relevant firms have received an email about this new method of submission with full instructions on how to complete it. Where firms have any issues accessing the Portal, please contact Portal Support directly on 01-224 4400 or by email to portalsupport@centralbank.ie.

Should you have any queries about Section 31 IIA or CMCAR notifications, please contact postauthoristions@centralbank.ie.



Did you know?
Since 9 October 2023, all notifications of appointments, amendments and terminations relating to Investment and Mortgage Credit Intermediaries must be submitted via the Portal.

Any notifications not submitted via the Portal after 9 October may result in a delayed process.

Any queries in relation to the new notification process can be sent to the Post Authorisation Team mailbox.

Professional Indemnity Insurance Update

Professional Indemnity Insurance (PII) is a form of liability insurance that helps Insurance Intermediaries cover the cost of compensating policyholders for claims, legal fees or legal remedies arising from the professional negligence of Insurance Intermediaries. PII strengthens the protection of consumers by increasing the funds available to Insurance Intermediaries to meet customer claims. In order to guarantee a high level of professionalism, the Insurance Distribution Directive (IDD) sets the minimum amounts of PII cover to be held by IDD intermediaries.

PII levels are reviewed every five years. The current review is underway with proposals sent to the European Commission in June 2023.

The European Insurance and Occupational Pensions Authority (EIOPA) is required under Article 10(7) of the IDD to review the minimum amounts for PII and financial capacity every five years. Following the first review in 2018, EIOPA carried out this exercise for the second time and submitted the new set of draft Regulatory Technical Standards (RTS) to the European Commission in June 2023.

What This Means For Your Firm

Firms are reminded to keep up to date with any changes to the IDD regulations and follow the guidelines. Where there are changes the Central Bank will issue further guidance.

Firms are reminded to continue to ensure compliance when the new PII levels are approved.

Retail Investment Strategy

The European Commission published its Retail Investment Strategy (RIS) proposals on 24 May 2023. The objective of the RIS is to empower consumers of investment products and services to make informed decisions that are closely aligned with their needs and preferences, ensuring they are treated fairly and adequately protected. The European Commission's proposals include measures relating to key aspects of investor protection, including suitability, inducements, disclosures, value for money and digitalisation. Retail Intermediaries should be aware that both the IDD and the Markets in Financial Instruments Directive (MiFID) will be amended by the RIS. In addition, certain changes are proposed to the Packaged Retail and Insurance-based Investment Products Regulation (PRIIPs). These changes will impact the contents of the Key Information Document (KID) which must be provided to consumers before they invest in a PRIIP. As negotiations on the RIS are currently ongoing, the timeframe for application of the new requirements is not yet clear. Further information can be found here.

The European Commission published its RIS proposals on 24 May 2023. Further information on the proposals can be found here.

Consumer Protection Code Review Updates

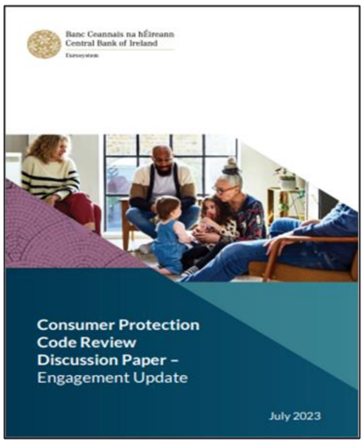
In October 2022, the Central Bank launched a Discussion Paper on the review of the Consumer Protection Code (Code). The Discussion Paper sought views from industry bodies and the public on specific consumer protection topics, including availability and choice of financial products, firms acting in consumers' best interests, innovation and disruption, digitalisation, vulnerability, financial literacy and climate matters.

Did You Know?

The Consumer Protection Code is currently under review with a view to publishing a revised Code.

The publication of the Discussion Paper was complemented by an extensive six-month engagement programme. This involved engagement with a variety of stakeholders, including representatives from civil society, industry, other public bodies and state agencies. A range of interactions took place including roundtables, bilateral meetings, an online public survey and direct engagement with members of the public.

In July 2023, the Central Bank published an Engagement Update to share the feedback we received, what we have learned so far and what we will do next. All written submissions received on the Discussion Paper are available on the Central Bank Website, along with the results of our online survey. You can also hear what members of the public think about a range of consumer topics in our Word on the Street video series.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Consumer Protection Code Review Discussion Paper – Engagement Update

July 2023

The feedback received on the Discussion Paper has helped deepen our understanding of the issues facing consumers today and will help inform the changes we are proposing to make to the Code. Work on the review of the Code is ongoing and our next step will be to publish a consultation paper on the revised Code in early 2024.

Next Steps

1. **Public Consultation -** We will be seeking views from interested stakeholders on proposed changes to the structure, scope and content of the Code; and
2. **Finalisation of a revised retail conduct framework -** Following the public consultation, we will consider the feedback and insights before publishing the final revised Code. A feedback statement will also be published at this time, setting out the rationale for our approach.

The next steps in the review will be:

- **Public Consultation; and**
- **Finalisation of the revised framework.**

To find out more, please visit the Central Bank Website.

Corporate Governance

A good corporate governance structure, with effective processes and controls and appropriate personnel, is essential for firms to operate in an effective and compliant manner. During the course of its authorisation and supervisory work, the Central Bank has noted an increase in the number of Retail Intermediaries whose governance, risk management and internal control frameworks have not been aligned to the firms' business growth, as measured by, inter alia, business volumes and values, products and services and distribution channels.

Did You Know?
Corporate governance can be defined as 'the procedures, process and attitudes according to which a firm is directed and controlled'.

Central Bank Expectations

The Central Bank expects regulated firms to maintain an appropriately balanced governance structure in order to operate effectively and to ensure that they meet all of their legislative and regulatory requirements and to protect consumers. Poor corporate governance structures can result in increased risks and lead to poorer consumer outcomes.

The Central Bank expects firms to maintain an appropriately balanced governance structure in order to operate effectively.

The Central Bank expects firms to continually assess their governance arrangements in order to ensure that they remain appropriate for the firm. These assessments must consider the nature, scale and complexity of the business of the firm and any changes the firm has undergone, including growth.

The Central Bank expects that, at a minimum, firms should include corporate governance as a standing agenda item for board meetings (or other equivalent governance forums for non-corporates, e.g. senior management meetings) and, if any issues are identified, to address these without undue delay. Firms must consider their nature, scale and complexity when determining the appropriate number of directors that they require, the balance between executive and non-executive directors, whether independent directors are required, and/or whether any other PCF roles are necessary.

Failure to maintain appropriate governance structures may be grounds under sectoral legislation for the revocation of a firm's authorisation / registration.

The Central Bank would remind firms that failure to maintain appropriate governance structures with effective processes and controls and appropriate personnel may be grounds, under relevant legislation, for the revocation of a firm's authorisation and/or registration.

Ongoing Suitability of Long-Term Life Assurance Products

In August 2023, the Central Bank published the findings of a thematic review on the Ongoing Suitability of Long-Term Life Assurance Products (Review). The main objective of the Review was to assess and understand the structures and processes that exist within Life Assurance undertakings, i.e. Insurers, and the wider Life Assurance sector, to ensure that the best interests of consumers are served on an ongoing basis, throughout the lifetime of their products (the term 'products' includes the product itself, as manufactured by an Insurer, as well as the individual policy held by the consumer and the investment choices made within the policy).

Did you know?

In August 2023, the Central Bank published the findings of a thematic review on the Ongoing Suitability of Long- Term Life Assurance Products.

Overall, the Review identified a number of weaknesses which elevated our concerns about how some consumers are being protected in the changing economic environment. Specifically, there is a risk that long-term products may become less suitable, or entirely unsuitable, for the policyholder over time. This can occur for a variety of reasons, such as:

- Changes to the policyholder's savings/investment needs, attitude to risk and/or other personal circumstances (e.g. being closer to retirement, employment change etc.);
- The introduction of alternative products, that better meet the consumer's needs, equivalent products with lower charges and/or better fund options becoming available etc.; and
- Changes in the wider investment and economic environment.

The Review identified a number of weaknesses which elevated the Central Bank's concerns in relation to how consumers are being protected in the changing economic environment.

Key Findings

The 'Dear CEO' letter published in August 2023 sets out the key findings and is available here. While the expectations set out in the letter are directed at Insurers, there are certain aspects that are of particular relevance to Insurance Intermediaries, including:

Following the Review, a Dear CEO letter was issued to firms in August 2023 - the letter can be found here.

- When distributing insurance-based investment products (IBIPs), Insurance Intermediaries are obliged to advise consumers, as part of the suitability statement, whether a recommended IBIP is likely to require them to seek a periodic review of their arrangements. As highlighted in our 'Dear CEO' letter, Insurers, having fully considered the features of a product, are expected to ensure that they advise Insurance Intermediaries of which IBIPs are likely to require a periodic review (or ongoing assessment of suitability).

This will assist Insurance Intermediaries to put appropriate plans in place with their consumers to ensure the ongoing suitability of the product;

- The Central Bank found that the agency agreements entered into between Insurers and Insurance Intermediaries do not set out obligations in respect of ongoing service / suitability. This gives rise to a potential risk that the assessment of ongoing suitability may be overlooked, or not considered, due to a lack of clarity around who has that responsibility. In this regard, Insurers have been advised that they are expected to regularly review the contents of these agreements to ensure that they remain fit for purpose; and
- Where a consumer has been advised to switch, or has decided for themselves to switch, into funds which are not appropriate for long-term investment, it is important that this decision is revisited on a frequent basis to ensure that consumers are not left in these funds, for a prolonged period, without valid justification. This is due to the fact that, in periods where returns on these funds are low, the fees and charges (such as annual management charges, commissions etc.) which are still being taken from the value of the investment will further reduce any growth, potentially leading to an overall reduction in fund value. In this regard, we have made Insurers aware that they are expected to proactively monitor the duration that consumers are invested in such funds. In turn, Insurance Intermediaries should also regularly ensure that they are satisfied it is in the best interests of their consumers invested in such funds to continue doing so.

Key findings of the Review include:

- **Requirements around the distribution of IBIPs;**
- **Agency agreements entered into between Insurers and Insurance Intermediaries; and**
- **Customer switching considerations.**

Action Required

Insurance Intermediaries should consider the above, as well as the findings and expectations of Insurers set out in the Dear CEO letter, and determine what appropriate actions are necessary to be taken to ensure consumers' best interests are protected over the lifetime of long-term life assurance products.

Insurance Intermediaries should review the Dear CEO letter, key findings and expectations, and determine any / all appropriate actions.

Disclosure Requirements of the Consumer Protection Code 2012 (Code)

Firms are reminded to ensure continued compliance with the disclosure requirements of the Code. The disclosure requirements are in place to ensure consumers are aware of the regulatory status and activities of regulated entities. Disclosures must be clear, accurate, up to date, and written in plain English.

Some of the key disclosure requirements set out in the Code include:

Regulatory Disclosures

- Firms must use a regulatory disclosure statement in the format specified in the Code. For Central Bank authorised, registered or licenced entities, the format is:
  [Full legal name of the regulated entity, trading as (insert all trading names used by the regulated entity)] is regulated by the Central Bank of Ireland; and
- Provisions 4.8 and 4.9 of the Code set out that:
  - Firms may only use the regulatory disclosure statement in communications with a consumer where such communications relate solely to a regulated activity; and
  - A firm must have separate sections on any website it operates, for regulated activities and any other activities which it carries out.

Remuneration Disclosures

- Firms must make available in their public offices or on their 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 such a summary on its website; and

- Provision 4.58(A) of the Code sets out that an Intermediary must bring this information to the attention of the consumer, and provide any clarification of the information if requested by the consumer, before concluding a contract for a financial product or service. An Intermediary must retain records demonstrating that it has complied with this requirement.

Did you know?

Disclosure requirements are in place to ensure consumers are aware of the regulatory status and activities of regulated entities.

Firms must ensure that any disclosure statement they use is in the format as laid out in Provision 4.10 of the Code.

Section 4.56 of the Code states that firms must display a schedule of fees and charges in its public offices, in a manner that is easily accessible to consumers.

Terms of Business

- Provisions 4.12 to 4.14 of the Code refer to requirements imposed on a firm when drawing up its terms of business. The provisions include requirements to refer to the firm's legal and regulatory status, the activities it provides, charges imposed, and a description of the level of service it provides for each product type, i.e. whether on the basis of a fair analysis of the market or limited analysis of the market, and an explanation of that type of service in a way that seeks to inform the consumer.

Provisions 4.12 to 4.14 of the Code set out clearly the format that a firm's terms of business should be presented in.

It is incumbent upon each firm to ensure compliance with the above requirements and all other regulatory requirements, and to be in a position to demonstrate compliance to the Central Bank when requested to do so.

Thematic Inspection Update

In July 2023, the Central Bank commenced a thematic inspection of firms, to review compliance with key legislative requirements including MCC, KYC and Suitability.

In our June 2023 edition of the Intermediary Times, we signposted that, as part of the Retail Intermediary Sectoral Strategy, the Central Bank would undertake a thematic inspection in H2 2023. The inspection was to include both desk-based and onsite phases for a cohort of in-scope firms. The purpose of the inspection is to assess firms' compliance with key consumer protection requirements including:

- Minimum Competency Code (MCC); and
- KYC & Suitability provisions in the Code.

Steps taken

In July 2023, the Central Bank issued a questionnaire to a sample of Retail Intermediaries, ensuring that the sample included a mixture of large, medium and small Retail Intermediaries across the country. Following the submissions, the Central Bank completed a desk-based review of all questionnaires.

Current Status

Supervisors from the Central Bank are currently undertaking onsite inspections of firms across all four provinces of Ireland.

Following the conclusion of both the desk-based and on-site inspections, the Central Bank will publish its findings in early 2024.

Next Steps

Following the conclusion of these inspections, the Central Bank will write to the relevant firms where follow-up actions are necessary, and we will communicate key findings, themes and expectations to the wider sector in early 2024.

EIOPA Statement on Governance Arrangements in Third Country Branches

On 3 February 2023, EIOPA published a Supervisory Statement regarding governance arrangements in third countries. This statement was issued following discussion on the risks arising from the UK's withdrawal from the EU. However, the issues identified and expectations of both EIOPA and the Central Bank are equally relevant for any third country arrangement.

Did you know?

On 3 February 2023, EIOPA published a Supervisory Statement regarding governance arrangements in third countries.

Central Bank Expectations

Throughout the Brexit period, as stated on our website and directly in our interactions with firms, the Central Bank has been clear in its expectations that apply to all firms and not just firms with third country branches (TCBs), namely - firms must:

- have a substantive presence in Ireland;
- be controlled by their boards and local management and not run from elsewhere;
- be adequately resourced in terms of seniority and expertise commensurate to the nature, scale and complexity of the business, with decision-making taking place in the Irish entity; and
- be capable of managing material risks locally – i.e. risks associated with the business of the entity are governed, managed and mitigated by the Irish entity and its staff.

The Central Bank expects all firms to

- Have a substantive presence in Ireland;
- Be controlled locally;
- Ensure decision-making takes place in Ireland; and
- Be capable of managing risks locally.

The EIOPA Supervisory Statement further supports and elaborates on our expectations, specifically with regard to the use of TCBs.

Similar to the establishment of a TCB in Ireland, there is a clear supervisory expectation that a TCB established elsewhere should primarily serve the market in which it is established, with the sole objective of the TCB not to simply support the EU-based Intermediary. It is permissible for a TCB to also assist their respective EU head offices, however such support should be ancillary, not undermine substance and/or lead to disproportionate dependence.

The establishment of a TCB should primarily serve the market in which it is established.

Corporate substance is reiterated as having appropriate presence of board members, key function holders and a level of staff established in the EEA which is relative to the nature and amount of business being conducted. While acknowledging certain niche lines of business will need UK support, the Central Bank expects all regulated firms with a TCB to review their current business model in light of the supervisory statement, if not already done. An action plan should be developed where appropriate, setting out steps and timelines to ensure alignment with the above expectations. Examples of steps may include the build out of certain functions in Ireland over a specific time-period to ensure its business is conducted and controlled from Ireland. This action plan should be available for review by the Central Bank.

In summary, supervisory expectations are clear. Firms must ensure adequate substance within the EEA, oversight and decision-making happens locally, and any disproportional dependence on the TCB is addressed. Ultimately, strategy, oversight and decision-making should clearly rest with the Irish head office.

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Occupational Pensions Authority

Where appropriate, firms should look at implementing an action plan to set out the steps and timelines to ensure alignment with the Central Bank expectations.

The Central Bank expects all regulated firms with a third country branch to review their current business model alongside the EIOPA statement.

Client Premium Accounts

The (Consumer Protection) Code prescribes a number of requirements in respect of premium handling by Insurance Intermediaries, including specific provisions in relation to the operation of Client Premium Accounts (CPAs). Insurance Intermediaries must have robust procedures and oversight arrangements in place to ensure that transactions through a CPA are conducted in accordance with Provision 3.50 of the Code. Payments in respect of levies, membership fees, or other transactions not specified in Provision 3.50 are not permitted to be made from a CPA. Other CPA requirements prescribed by the Code include, but are not limited to, the following:

- CPAs must be clearly designated 'Client Premium Account' to ensure that client premiums are segregated from other monies;
- A separate CPA must be maintained for both life and non-life insurance business; and
- A CPA must never be overdrawn.

Firms are required to carry out, and retain, monthly reconciliations of amounts due to regulated entities; and firms should ensure that rebates due to consumers are processed correctly and in a timely manner. Where rebates are issued by cheque and not presented for payment within six months, the payment should be returned to the Insurance Undertaking.

Failure to comply with the Code provisions in this regard may lead to regulatory action being taken against the firm.

Did you know?

A CPA is there to ensure monies received by an Insurance Intermediary in respect of client premiums are segregated from other monies in the firm.

Firms are required to carry out, and retain, monthly reconciliations of amounts due to regulated entities.

Firms are reminded that failure to comply with the Code may result in regulatory action being taken against the firm.

Innovation Engagement

Background to Innovation Engagement

Since the launch of its Innovation Hub in April 2018, the Central Bank has engaged widely with both existing firms and the growing fintech and innovation sectors. The Innovation Hub is a direct and dedicated point of contact for innovators, both start-ups and incumbents that are developing or implementing innovations in financial services based on new technologies. To date, the Central Bank has had 375 engagements with innovators.

The Innovation Hub was launched in April 2018 as a dedicated point of contact for developing and implementing innovations in financial services.

Through stakeholder feedback and peer analysis, it is acknowledged that the Innovation Hub is a good first step to enhance engagement. Five years on from its launch, we believe there is value in further enhancing our approach to the Innovation Hub and outreach programme, in line with the continued development of the innovation ecosystem.

Innovation Engagement Consultation Approach

A Consultation Paper was issued on 8 November 2023 in order to further enhance the Innovation Hub.

On 8 November 2023, the Central Bank issued a Consultation Paper to the public titled 'Central Bank approach to innovation engagement in financial services'. The Central Bank mandate looks at the ecosystem as a whole and our approach is guided as such. We have devised a range of engagement initiatives that enable us to:

- Deepen our understanding of innovation in the financial services sector, which allows us to better understand the opportunities and risks for consumers and the economy;

- Better inform our regulatory approach, allowing us to ensure that our regulation is aligned with a well-functioning financial system based on good levels of competition and innovation;

- Better explain to innovative firms what being regulated entails – so firms can build regulatory requirements and safeguards into their early stage development; and

- Embed a regulatory culture in emerging and fast growing firms – to ensure they are properly prepared for the responsibilities that attach to a regulated firm, as well as being properly run once authorised.

Engagement initiatives include:

- **Deepening our understanding of innovation;**
- **Better informing our regulatory approach; and**
- **Embedding a regulatory culture.**

Enhancements Proposed

The key enhancements proposed as part of the Consultation Paper are:

1. Enhance our Innovation Hub to deliver deeper, clearer and more informed engagement with the innovative ecosystem; and
2. Establish an Innovation Sandbox Programme, which will involve informing the early stage development of selected innovative initiatives (which are consistent with public policy objectives) by providing regulatory expertise and clarity within the programme.

Enhancements proposed include:

- **Improved overall look of the Innovation Hub to deliver clearer and more informed engagement;**
- **Establishing a sandbox programme;**
- **Creating a structured engagement process;**
- **Enhancing the Central Bank's engagements with stakeholders; and**
- **Launching a digital centre of knowledge sharing.**

Innovation Hub Enhancements

1. Creating a structured engagement process for the Innovation Hub submissions, setting out timelines and relevant information for innovators that engage with the Central Bank;
2. Enhancing our outreach and engagements with stakeholders to discuss learnings and trends, with an increased focus on regional engagements to support innovation across Ireland. In addition, participating in relevant Irish, EU or international sector/theme specific programmes; and
3. Launching a Digital Centre for knowledge sharing of dedicated content with all stakeholders in the innovation ecosystem which will, over time, include dedicated content such as innovation-related FAQs, case studies, best practices and webinars.

Respond to the Consultation

To make your submission to the consultation please visit the following link: centralbank.ie/innovationengagement.

The closing date for responses is **8 February 2024**.

To make your submission to the consultation, please visit the innovation engagement website here.

Cybersecurity

With on-going technology advancements, the landscape of cybersecurity is ever-evolving, presenting both challenges and opportunities across all organisations, especially those within financial services. The past few years have seen a rapid transformation in the way businesses operate, with an increasing reliance on technology, cloud services and remote working. As a result, the need for robust cybersecurity measures is critical.

The need for firms to have more robust cybersecurity measures has never been more critical.

One key trend in the current cyber environment is the rise of sophisticated cyber threats. Attackers are continually developing new tactics, techniques, and procedures to breach defences. Ransomware attacks, in particular, have become more frequent and costly. These attacks can disrupt operations and result in significant financial losses. To mitigate these risks, businesses should invest in cutting-edge cybersecurity solutions, employee training, and incident response plans.

The remote working trend has introduced many new challenges with employees working from various locations, leading to them being more vulnerable to cyber threats.

Regulatory compliance is another critical aspect of the modern cyber landscape. Adherence to the General Data Protection Regulation (GDPR), the Digital Operational Resilience Act (DORA) and other such data protection legislation, is an additional factor for consideration for all those holding personal identifiable information. Non-compliance can result in severe penalties. Staying up to date with the latest regulations and ensuring your cybersecurity practices align with these is essential.

The remote working trend, accelerated by the COVID-19 pandemic, has introduced new challenges. Employees working from various locations can be vulnerable to cyber threats. Secure remote access, strong authentication, and regular security updates are vital for maintaining a safe remote work environment.

The current cyber environment demands heightened vigilance and a commitment to evolving security measures in order to protect your business and build trust with your customers.

As the cyber landscape evolves, it is essential that businesses adopt a proactive and holistic approach to cybersecurity. Regular risk assessments, robust security policies, and a cybersecurity-aware workforce are key elements of a resilient cybersecurity strategy. Collaboration with cybersecurity experts and sharing threat intelligence within industry networks can also enhance overall cyber resilience.

In conclusion, the current cyber environment demands heightened vigilance and a commitment to evolving security measures. Embracing these changes will not only protect your business but also build trust with your customers, who rely on you to safeguard their sensitive financial data.

Reminders

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

- Retail Intermediary Annual Roadshows are taking place on 23 November in the Carlton Hotel, Blanchardstown and on the 24 November in the Ardilaun Hotel, Galway;
- Firms who currently hold a mortgage licence that is due to expire are invited to replace their current licence with an evergreen licence;
- Potential firms who are looking for assistance in completing an application form for authorisation as a Retail Intermediary are encouraged to attend a Webinar hosted by the Authorisations Team;
- From Q1 2024, annual PCF confirmations should be submitted via the Portal, firms are reminded to check the new guidance for assistance with this process;
- Firms should ensure they have access to the new Portal, particularly in relation to submitting Annual Returns;
- Since October 2023, all notifications of appointments, amendments, and terminations relating to Investment and Mortgage Credit Intermediaries must be submitted via the Portal;
- Firms should be aware of the potential upcoming amendments to PII;
- Firms should be aware that both the IDD and MiFID will be amended by the RIS;
- Public consultation will be opening on updating the (Consumer Protection) Code will open in early 2024;
- Firms should ensure that appropriate governance structures are in place in line with the changing nature, scale and complexity of their business;
- Firms should review the key findings and actions from the thematic review on Ongoing Suitability of Long Term Life Assurance Products and take action, where appropriate;
- Firms must ensure that any disclosure statement they use is in accordance with the applicable legislation;
- On 3 February 2023, EIOPA published a statement regarding governance arrangements in third countries, firms should review the Central Bank expectations and take action as appropriate;
- Firms are invited to respond to the Consultation Paper in relation to Innovation Engagement;
- Firms are required to carry out, and retain monthly reconciliations of their CPAs; and
- Firms should ensure they have more robust cybersecurity measures in place.

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.

Recent Central Bank Events, Speeches, Blogs & Publications

- On 8 November, the Central Bank held its Financial System Conference 2023 – Achieving good outcomes in an uncertain world, at the Aviva Stadium in Dublin.

- On 26 October, Director of Consumer Protection, Colm Kincaid, delivered a speech at the Vincentian Business Ethics Conference in Dublin City University on New Frontiers in Business Ethics.

- On 28 September, Deputy Governor, Derville Rowland gave a speech at the Association for Financial Markets in Europe (AFME) 7th Annual European Compliance and Legal Conference to discuss Dynamic change in uncertain times: Balancing opportunity and risk.

- On 19 September, the Central Bank released its quarterly bulletin entitled, the path back to lower rates of inflation is likely to be gradual and uneven.

- On 18 July, Governor Gabriel Makhlouf, published his blog where he discussed a macro prudential framework for investment funds.

- On 12 July, Director of Consumer Protection, Colm Kincaid, gave the opening remarks at the Oireachtas Committee on Finance, Public Expenditure and Reform, and Taoiseach.

- On 5 July, Seána Cunningham, Director of Enforcement & Anti-Money Laundering gave a speech to the Law Society on Enhancements to the Central Bank's Administrative Sanctions Procedure.

- On 22 June, Gerry Cross, Director of Financial Regulation, gave a speech to Insurance Ireland on Policy & Risk Insurance, regulation, and the transition to a net zero economy.

- On 1 June, Gerry Cross, Director of Financial Regulation: Policy and Risk, gave a speech on the Individual Accountability Framework: What it means for Directors.

European Commissioner Mairead McGuinness with Deputy Governors Sharon Donnery and Derville Rowland

Gabriel Makhlouf, Governor

Colm Kincaid, Director of Consumer Protection

Gerry Cross, Director, Financial Regulation Policy & Risk

Contact Us

Central Bank Query	Central Bank Contact
Consumer Protection: Investment Firms, Intermediaries & Client Assets Division. Authorisation queries Supervision queries Revocation queries Post Authorisation queries Brexit-related queries Statutory Duty Confirmation Reports Portal Support RI 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 Intermediary 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
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