



Banc Ceannais na hÉireann  
Central Bank of Ireland

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Eurosystem

# Governance Framework

October 2018

# Contents

Introduction.....	3
Chapter 1 Overview of the Central Bank of Ireland.....	4
Chapter 2 The Central Bank Commission, the Governor and Senior Leaders .....	9
Chapter 3 Assurance and Compliance.....	16
Chapter 4 Accountability and Transparency .....	19
Chapter 5 Internal Governance Structures .....	22
Appendix 1.....	25

*Please Note: This document has been prepared by the Central Bank of Ireland (the Central Bank) for general information purposes only and is not a legal document. The document is prepared as a guide only.  
The Governance framework is effective as at October 2018, changes after this date are not yet incorporated.*

# Introduction

Governance refers to the system, principles and processes by which organisations are directed and controlled. Good governance is central to the effective operation, the culture, and the strategic and operational policies and practices of an organisation, driving better service delivery and improved accountability. The Central Bank of Ireland (the Central Bank) recognises that all staff have an important role to play in contributing to good governance.

The Central Bank has a clearly defined governance framework, as described in this document. The governance framework takes account of the requirements of the Central Bank Acts and the EU Treaties (the Treaties) (including the requirement for the Central Bank to be independent), the Code of Practice for the Governance of State Bodies 2016 and other internal governance arrangements in the Central Bank. Whilst this document provides an overview of the key governance structures and arrangements in place in the Central Bank, it does not attempt to set out all of the details of these governance arrangements.

This document contains the following chapters:

**Chapter 1** – Overview of the Central Bank of Ireland

**Chapter 2** – The Central Bank Commission, the Governor and Senior Leaders

**Chapter 3** – Assurance and Compliance

**Chapter 4** – Accountability and Transparency

**Chapter 5** – Internal Governance Structures

The Governance Framework is intended to be a live document. The Governance Team in GSD have responsibility for the maintenance and continuous improvement of the Governance Framework. The Commission will formally review the operation of the Governance Framework on an annual basis. This review will be coordinated and performed by the Governance Team.

# Chapter 1 Overview of the Central Bank of Ireland

This chapter includes an introduction to the legal framework of the Central Bank, and provides information on the Central Bank's Mission Statement, Mandate and Vision; our Principles and Priority Behaviours (which underpin our work and interaction with our stakeholders); the structure of our strategic planning process; internal communications; learning and development; and diversity and inclusion.

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## 1.1 Legal Framework

The Central Bank was established as Ireland's central bank on 1 February 1943 under the Central Bank Act, 1942 (the 1942 Act).

As a member of the European System of Central Banks (the ESCB), the Central Bank performs ESCB tasks provided for by the Treaty on the Functioning of the European Union (the TFEU) and the Statute of the ECB and of the ESCB (the ESCB Statute). In addition, it performs certain non-ESCB tasks mandated by national law, which includes its responsibility for the regulation of Ireland's financial services sector.

Many of the Central Bank's functions derive from European law. The Central Bank's European role is most apparent in relation to its central banking functions, which are defined by the EU treaties. The Treaties define the European financial services sector as being a part of Europe's internal market. As a result, many elements of Irish financial services legislation implement EU laws and it is for the Central Bank to ensure compliance with the relevant legislation. With the establishment of the Single Supervisory Mechanism (SSM) a number of supervisory responsibilities and decision making powers moved to the European Central Bank (the ECB). Banks in Ireland that are classified as Significant Institutions are directly supervised by Joint Supervisory Teams, each led by the ECB and consisting of both ECB and Central Bank supervisors.

## 1.2 Mission, Mandate and Vision

### Mission

The Central Bank's Mission Statement "***The Central Bank of Ireland serves the public interest by safeguarding monetary and financial stability and by working to ensure that the financial system operates in the best interests of consumers and the wider economy***" recognises the important role that the Central Bank plays in Irish society and the need for us to deliver on our mandate in the most effective way possible.

The role and responsibilities of the Central Bank have increased over the years since our establishment in 1943. Serving the public interest has always been at the core of our work and is reflected in our Mission Statement. In addition, our Mission Statement recognises the important role that the Central Bank plays in safeguarding stability and in ensuring that the financial system is working in the interests of consumers and the wider economy.

## Mandate

In accordance with Article 127(1) and Article 282(2) of the TFEU and Article 2 of the ESCB Statute, the primary objective of the ESCB (and therefore of the Central Bank) is to maintain price stability.

The Central Bank also has a number of other objectives:

- the stability of the financial system overall;
- the proper and effective regulation of financial service providers and markets, while ensuring that the best interests of consumers of financial services are protected;
- the efficient and effective operation of payment and settlement systems;
- the resolution of financial difficulties in credit institutions, certain investment firms and credit unions the provision of analysis and comment to support national economic policy development; and
- the discharge of such other functions and powers as are conferred on it by law, including the operation of the Central Credit Register, the Deposit Guarantee Scheme and the Insurance Compensation Fund.

Further information on who we are and what we do is [available on our website](#).

## Vision

We are committed to being an independent, forthright and influential organisation with a compelling, clear and challenging vision of being: ***“One Bank: Trusted by the Public, Respected by our Peers, and a Fulfilling Workplace for our People”***.

- **Trusted by the Public** - a trusted organisation that is working towards the public good in a transparent, effective and accountable way.
- **Respected by our Peers** - regarded by our peers at home and abroad as credible and working constructively to help influence and shape the best outcomes for the public good.
- **Fulfilling Workplace for our People** - where our people are committed to excellence in the delivery of our mandate, have the opportunity to build fulfilling careers and reach their potential, and feel valued in an environment that supports diversity and inclusion.

## 1.3 Our Principles and Priority Behaviours

The Central Bank’s [Principles and Priority Behaviours](#) seek to define the Central Bank’s values, desired culture and are intended to guide behaviour and work practices.

The Priority Behaviours derive from the Principles and demonstrate the behaviours which all staff are expected to display or develop in order to perform effectively in their roles. The Priority Behaviours are detailed in a Behavioural Competency Framework, the purpose of which is to help the Central Bank communicate its expectations of staff and provide guidance on how staff can develop the relevant competencies.

Senior leaders have a responsibility to lead by example and to act in accordance with the Principles and Priority Behaviours and coach, develop and guide staff reporting to them attain the same standards.

## Our Principles:

- Primacy of the Public Interest
- Working with Integrity and Transparency
- Respecting and Valuing Each Other as Colleagues
- Creating a Fulfilling and Progressive Work Environment
- Encouraging Vigorous Debate, Constructive Challenge and Effective Risk Mitigation
- Being Accountable for Our Performance
- Operating Effectively and Efficiently
- Collaborating and Working as a Team to Achieve our Goals

## Our Priority Behaviours:

- Challenge Constructively
- Deliver on Commitments
- Lead the Way Forward
- Collaborate and Share
- Develop Self and Others
- Initiate Improvements

## 1.4 Organisational Structure

The organisational structure of the Central Bank is determined largely by the Central Bank Acts 1942 – 2015. These Acts establish the Central Bank as an organisation, and set out its functions and provides for the structures within which the Central Bank carries out such functions. The Central Bank's functions come from various legal sources, including the Treaties, the Central Bank Acts, and other financial services legislation. While some of these functions may be assigned to specific statutory officers, the Central Bank Commission (the Commission) is, in the first instance, tasked with the performance of most of the Central Bank's functions (with the exception of ESCB functions). However, this is subject to statutory delegations and assignments of responsibility.

[Our Organisational Chart](#) shows how the Central Bank is organised in order to deliver on our strategic objectives.

The Central Bank operates across four pillars each of which is headed by a Deputy Governor, the Director General–Financial Conduct, or the Chief Operations Officer, each of whom reports directly to the Governor. The four pillars are:

- Central Banking;
- Prudential Regulation;
- Financial Conduct; and
- Operations.

Each pillar is divided into a number of Directorates headed by a Director, and each Director has responsibility for a number of business divisions.

Details of the responsibilities of our senior leaders are set out in our [Responsibilities of Senior Leaders at the Central Bank of Ireland document](#) (RSL), further information on which is included in Chapter 2.

## 1.5 Strategy and Planning

Strategic planning is critical to ensuring the effective operation of the Central Bank, and our ability to deliver on our mission. In accordance with section 32B of the 1942 Act, the Central Bank is obliged to prepare and publish a Strategic Plan every three years, and submit the plan to the Minister for Finance (the Minister) who lays it before the Houses of the Oireachtas. The Strategic Plan describes the Central Bank's objectives for the relevant period, the nature and scope of the activities to be undertaken, the actions that will be taken to achieve the objectives, and targets and criteria for assessing the performance of the Central Bank. For a fuller explanation of the Central Bank's objectives for the coming period read [the Strategic Plan 2019 – 2021](#).

Implementation of the Strategic Plan is monitored through the Organisational Balanced Scorecard (BSC). The BSC is approved by the Commission and assigns responsibility for the delivery of the priorities identified to an appropriate Director. Each Director further assigns responsibilities to relevant Heads of Division and their teams. Progress is monitored through divisional BSCs as well as through the organisational BSC.

Each year the Commission reviews the Strategic Plan to ensure it remains valid, to consider progress against the objectives set out, and to determine if any adjustments are required. The Central Bank's Annual Report (produced in accordance with section 32K of the 1942 Act) provides an account of its operations during the year. In addition, section 32L of the 1942 Act requires that an Annual Performance Statement for Financial Regulation is produced, which reviews the functions and activities of the Central Bank in Financial Regulation. [The Annual Report and Annual Performance Statement are made available on our website](#).

A Performance Management and Development Process (PMDP), is in place for all our staff. PMDP provides a framework for the Central Bank to manage individual staff performance, and provides a process for managing staff performance against the business plan objectives of the relevant division. PMDP is intended as a collaborative process for staff, managers and the organisation as a whole, allowing the Central Bank to reach high levels of performance and deliver on its mandate. Individual performance and development is supported and managed during the year by line managers through ongoing informal dialogue, an interim review and a formal end of year review, involving an assessment of overall performance for the year.

## 1.6 Internal Communications

The Central Bank uses a range of internal communication channels to help ensure staff are kept up-to-date, and can operate and engage with one another effectively in an informed, open and transparent manner.

These regular channels include updated intranet (Plaza) and digital signage, monthly cascades (Monthly Briefings), Leadership Network meetings, a topical lecture channel (Topical Talks) as well as the all-staff conference which focuses on broader strategic goals of the organisation.

## 1.7 Learning and Development

The Central Bank recognises that the skills, knowledge and expertise of our people are central to our success. We are committed to investing in the development of our people – it is core to our culture and what we value. We strive to ensure that all of our employees are supported in

achieving their full potential. This, in turn, enhances the services we provide to the people of Ireland.

To create a greater understanding of the Central Bank's work and to support continuous learning, career progression and retention, the Central Bank has developed the One Bank Curriculum. This is a professional development programme designed to meet the technical training needs of our employees.

To embed aspects of our governance culture, all staff new to the Central Bank are required to undertake e-learning training, including on the following topics:

- Staff Code of Ethics
- Freedom of Information
- Information Security
- Environmental Health and Safety
- Data Protection
- Protected Disclosures Awareness

## 1.8 Diversity and Inclusion

The Central Bank recognises the value that diversity and inclusion can bring to an organisation as well as its impact on organisation culture and has in place a Diversity and Inclusion Steering Group (the D&I) that reports to the Senior Leadership Committee. The D&I oversees the Central Bank's day to day work on diversity and inclusion, both internal and external. The Central Bank stresses the importance of diversity and inclusion within a healthy corporate culture. We also recognise that to realise our vision of being a fulfilling place to work, we must embrace difference in all its forms and unlock the potential in all our people so that we can deliver better outcomes for the public we serve.



# Chapter 2 The Central Bank Commission, the Governor and Senior Leaders

This chapter includes information on the role and responsibilities of the Central Bank's governing body, the Commission. It sets out the delegation of powers and functions from the Commission together with the framework for the assignment of responsibilities within the Central Bank. In addition, it provides an overview of the Governor's role and responsibilities, that of our senior leaders and staff in general.

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## 2.1 The Commission

In summary, the 1942 Act provides that the affairs and activities of the Central Bank are to be managed and controlled by the Commission (with the exception of functions for which the Governor has sole responsibility, including the ESCB functions of the Central Bank and resolution functions). The 1942 Act provides that any of the Central Bank's statutory functions that are vested in the Commission may be delegated to the Governor, a Deputy Governor or an employee of the Central Bank.

Further information can be found on [the Central Bank's website](#).

### Commission Structure

The Commission is made up of the following *ex officio* members:

- Governor (Chairman)
- Deputy Governor - Central Banking
- Deputy Governor - Prudential Regulation
- Secretary General of the Department of Finance (DoF)

In addition, at least six but no more than eight other members are appointed by the Minister. The terms of the original members of the Commission ranged from three to five years; newly appointed members, or re-appointed members, are appointed for terms of five years. Members can be reappointed once.

For information on the current Commission members please go to our website.

### Role and Responsibilities of the Commission

The Commission has the following statutory functions:

- management and control of the affairs and activities of the Central Bank for which it is responsible;
- ensuring that the Central Bank's financial regulation and central banking functions are coordinated and integrated; and

- ensuring that the statutory powers and functions conferred on the Central Bank are properly exercised and discharged.

The Commission has adopted its own Terms of Reference which set out how it can best deliver on those responsibilities.

### Delegations and the Plan of Assignment of Responsibility

Section 18F of the 1942 Act provides the Commission with a power to delegate its functions and powers to the Governor, a Deputy Governor, or an employee of the Central Bank. Such delegations are made in the interests of the efficient and effective management of the Central Bank, and to ensure the proper exercise and discharge of the Central Bank's functions and powers. To that end, the exercise of most of the Central Bank's statutory functions and powers has been delegated by the Commission.

Section 32A of the Act sets out the legislative provisions regarding the establishment of a framework for the assignment of responsibilities within the Central Bank. This is referred to as the Plan of Assignment of Responsibility (the Plan). The Plan provides an operational method through which the Governor proposes to the Commission the assignment of responsibility for specified powers and functions of the Central Bank to himself or herself, a Deputy Governor and/or an officer or employee of the Central Bank.

While the Commission has delegated the exercise of the majority of the functions and powers of the Central Bank and has approved the Plan for the assignment of such responsibilities, the Commission retains overall responsibility for the performance of such functions and for ensuring that the powers and functions conferred on the Central Bank (other than those in respect of which responsibility is conferred solely on the Governor) are being effectively managed and controlled.

Furthermore, the Commission retains the power to exercise any of those functions and powers of the Central Bank that it has delegated from time to time by the Commission where it considers it appropriate to do so. In this regard, the Commission may impose conditions, limitations, or restrictions on the performance or exercise of functions or powers delegated. In appropriate cases, the Commission may review decisions taken or things done in the performance or exercise of any delegated function or power.

In addition, the Commission engages with management members on issues of strategic importance to the Central Bank (other than ESCB functions) and advises, supports and constructively challenges them as appropriate. It also approves the strategy to allow the Central Bank to achieve its statutory functions and it reviews the Central Bank's performance in relation to this strategy.

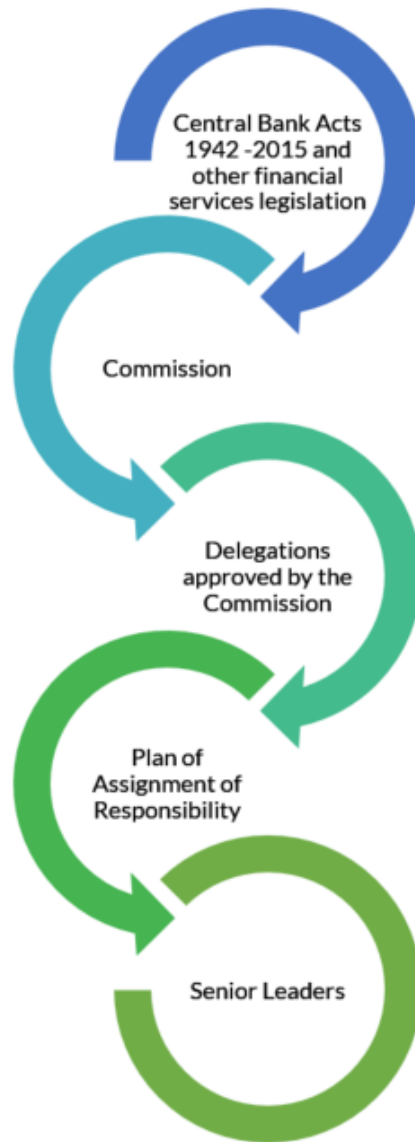


Figure 1: Diagram to represent the Central Bank's legislative environment, delegations and the Plan.

## Code of Conduct and Ethics

The Commission has adopted its own [Code of Conduct and Ethics](#) for members of the Central Bank Commission which is available on our website. Commission members are expected to read and sign the Code of Conduct and Ethics to indicate their understanding and acceptance of its provisions. Furthermore, Commission members must observe and uphold the collective responsibility of the Commission and any committee of which they are a member.

The objectives of the Code of Conduct and Ethics are:

- to set out standards of ethical conduct;
- to promote confidence and trust in the Commission; and
- to prevent the development or acceptance of unethical practices.

Commission members are required to discharge their duties and responsibilities with high standards of integrity and should always be guided in their actions by the provisions of the Central Bank's legislative environment.

## Ethics in Public Office

Section 17 of the Ethics in Public Office Act 1995 imposes certain disclosure requirements on persons who are members of boards of state bodies whose directorships have been prescribed in regulations made by the Minister. Such persons are known as designated directors and include members of the Commission. This means any person holding a designated directorship is subject to the disclosure of interests provisions of the Ethics Acts and may have to furnish an annual statement of interests and/or a statement of a material interest (see below).

### ➤ Statements of Material Interest

Where a function of the directorship falls to be performed and a designated director has actual knowledge that he or she or a connected person has a material interest in the function, the director must furnish a statement in writing of those facts to the other directors of the body and should not perform the function unless there are compelling reasons to do so. If the director proposes to perform the function, he or she should furnish a statement in writing of the compelling reasons to the other directors and to the Standards in Public Office Commission. This applies whether or not an interest has been disclosed in an annual statement of interests.

## Commission Meetings

The procedure of the Commission is provided for by Schedule 1 of the 1942 Act. Meetings of the Commission are scheduled on a monthly basis (except August) and are presided over by the Governor, as Chairperson of the Commission. Further meetings are scheduled as necessary for the proper performance of the functions of the Commission. All or some members may participate in meetings of the Commission by telephone.

In accordance with the Commission's Terms of Reference, the Director General - Financial Conduct and the Chief Operations Officer attend Commission meetings to provide updates on their respective areas and for other relevant items. The General Counsel is invited to attend meetings of the Commission as legal advisor of the Central Bank.

## Commission Review

The Chairperson of the Commission initiates a formal review of the performance of the Commission on an annual basis to assess the extent to which responsibilities are being met, the Commission is operating efficiently, and that the scope, membership and terms of reference remain appropriate. In addition, an external review of the effectiveness of the Commission is carried out every three years.

## Decision making Procedures

Decisions of the Commission are made on the basis of a majority of the votes cast by the members of the Commission present at the vote in question,<sup>1</sup> or by a resolution approved in writing by a majority of members.<sup>2</sup>

## Professional Advice

In the furtherance of their duties, the Commission may take independent professional advice, if necessary, at the expense of the Central Bank where they deem it necessary to discharge their responsibilities as Commission members.

## The Commission's Committees

The Commission has the power to establish committees consisting of one or more members of the Commission, either solely or together with one or more officers or employees of the Central Bank, and may determine the procedure and define the functions and powers of such committees.

The Commission has established the following committees:

- **Audit Committee**

The Audit Committee comprises three non-executive members. Meetings of the Audit Committee are held at least four times per year, together with a joint meeting with the Risk Committee. The Commission established the Audit Committee to provide support to the Commission in meeting its responsibilities for issues relating to financial risk, control and governance. The Committee achieves this through reviewing the comprehensiveness, reliability and integrity of assurances to the Commission. The key responsibilities of the Committee are set out in its Terms of Reference.

- **Budget and Remunerations Committee**

The Budget and Remuneration Committee comprises either two or three non-executive members and the two Deputy Governors. The Deputy Governors are not present when matters relating to the remuneration of management members of the Commission are discussed. Meetings of the Budget and Remuneration Committee are held at least four times per year. The Commission established the Committee to provide support to the Commission in meeting its responsibilities for issues relating to budget management, remuneration policy, remuneration for management members of the Commission and the BSC. The Committee achieves this through reviewing the comprehensiveness, reliability and integrity of assurances to the Commission. The key responsibilities of the Committee are set out in its Terms of Reference.

- **Risk Committee**

The Risk Committee comprises three non-executive members and the two Deputy Governors. Meetings of the Risk Committee are held at least six times per year, together with a joint meeting with the Audit Committee. The Commission established the Risk Committee to review, monitor, oversee and advise the Commission on investment of the investment assets of the Central Bank; investment policies and practices; risk exposures and strategy; operational and business continuity risk and risk management in the Central Bank. The key responsibilities of the Committee are set out in its Terms of Reference.

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<sup>1</sup> Central Bank Act 1942, Schedule 1, para 4.

<sup>2</sup> Central Bank act 1942, Schedule 1, para 5.

## 2.2 The Governor

The Governor is appointed by the President, on the advice of the Government, for a term of seven years, and may be re-appointed. The Governor's responsibilities include: (i) the holding and managing by the Central Bank of the foreign reserves of the State; (ii) promoting the efficient and effective operation of payment and settlement systems, and (iii) performing such other functions as are imposed on the Governor by or under law<sup>3</sup>. The Governor has sole responsibility for the performance of the functions imposed, and the exercise of powers conferred, on the Central Bank by or under the TFEU or the ESCB Statute. The Governor has power to do whatever is necessary for or in connection with, or reasonably incidental to, carrying out the Governor's responsibilities<sup>4</sup>.

Further information on the Governor's role and responsibilities is set out in [the Central Bank's RSL](#).

The Governor is the Chairperson of the Commission<sup>5</sup> and is therefore responsible for the effective management of the Commission agenda. In order to facilitate this, the Governor is advised by the Governor's Committee and the Financial Regulation Oversight Committee and other high-level committees (further information on all cross-organisational committees can be found in Chapter 5). Communication between the Governor and the Commission is at the heart of good governance, with the delivery of the Central Bank's business objectives contingent on this relationship operating effectively.

The Governing Council of the ECB, of which the Governor is an *ex officio* member, is responsible for monetary policy (e.g., setting interest rates and the provision of liquidity) in the euro area. The Central Bank provides support and analysis to the Governor in his or her capacity as a member of the Governing Council, and implements the monetary policy decisions of the Governing Council.

## 2.3 Responsibilities of Senior Leaders at the Central Bank of Ireland

The Central Bank's RSL provides an overview of the responsibilities of those holding senior leadership positions within the Central Bank, together with the relevant governance arrangements in place that support decision making across the Central Bank. Senior leaders are identified as the Governor, the Deputy Governors, the Director General-Financial Conduct, the Chief Operations Officer and the Directors. Furthermore, because of their statutory responsibilities, the RSL includes the Registrar of Credit Unions and the Secretary of the Bank. In addition, the positions of the General Counsel, the Head of Internal Audit and the Head of Organisational Risk are included as they have some direct accountabilities to the Commission and/or the Governor.

[Further information can be found here.](#)

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<sup>3</sup> Central Bank Act 1942, section 19A (1).

<sup>4</sup> Central Bank Act 1942, section 19A (4).

<sup>5</sup> Central Bank Act 1942, Section 18CA(2).

## 2.4 Responsibilities of all Staff

All Central Bank staff play an important role in ensuring that the Central Bank delivers on its objectives. In doing so, all staff are obliged, in keeping with the Central Bank's Principles and Priority Behaviours, to participate in, and contribute to, the good governance of the Central Bank in the performance of their duties, through adherence to the requirements of relevant legislation and of corporate policies and procedures.

To ensure the highest standards of ethical conduct amongst staff and officers of the Central Bank, all staff are required to adhere to the [Central Bank's Code of Ethics](#) which sets out the ethical standards of conduct expected. The Code of Ethics is reviewed and approved annually by the Commission. All staff have a duty to be informed about the Code of Ethics and to uphold its standards of conduct at all times. On an annual basis, staff are requested to refresh their awareness and understanding of their obligations under the Code of Ethics, via an annual familiarisation and attestation process, the results of which are reported to senior management and the Commission. In 2017 a new e-learning module was prepared, which provides practical examples of situations where ethical issues can arise and outlines the supports available to staff dealing with ethical issues.

In addition, the Commission has also established a Confidential Disclosures ('Whistle-blowing') Policy which it reviews annually. This policy provides staff with a set of channels to confidentially disclose information regarding possible wrongdoing within the Central Bank without fear of any personal repercussions.

## Chapter 3 Assurance and Compliance

This chapter includes information on the Central Bank's assurance (to include relevant elements of the Code of Practice for the Governance of State Bodies 2016), and compliance arrangements which underpin the Central Bank's governance approach.

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### 3.1 Assurance

#### Code of Practice for the Governance of State Bodies 2016

The Department of Public Expenditure & Reform published a revised Code of Practice for the governance of state bodies in August 2016 (the Code of Practice). The Code of Practice provides a framework for the application of best practice in corporate governance by both commercial and non-commercial State bodies. The Commission decided to adopt the Code of Practice, adapted in some instances to take account of the Central Bank's particular governance framework and the statutory requirements of the Central Bank Acts and the Treaties, including the requirement for the Central Bank to be independent.

The Commission will refer to the Central Bank's application of the Code of Practice and the Statement on Internal Control as a means of articulating assurance practices in place.

#### Audit Committee

The Commission's Audit Committee, which operates under Terms of Reference, has responsibilities including the oversight and review of the financial statements, the external auditors, internal audit and financial risk management, compliance and internal control.

#### Internal Audit

The Internal Audit Division (IAD) is an independent, objective assurance and consulting function designed to add value and improve the performance of the Central Bank in delivering upon its strategic responsibilities. It systematically evaluates the effectiveness of risk management, control and governance processes. IAD provides the Central Bank's representative of the Internal Auditors Committee (IAC) of the ECB and is responsible for auditing the local components of ESCB systems and processes. The IAC is the internal audit function for the Eurosystem/ESCB and the SSM.

The objective of the IAD is to act as the independent and objective "third line of defence" within the Central Bank's governance framework. IAD has free and unrestricted access to the Governor and members of the Commission. The Head of IAD reports directly to the Governor (as appropriate) and he or she has unrestricted access to the Audit Committee and the members of the Senior Leadership Committee. IAD is responsible for reporting significant risk exposures and control issues to the Commission and senior management. IAD submit regular reports to the Audit Committee on the outcomes of audits including progress in implementing recommendations from previous audits. A three-year plan is prepared on a rolling basis which is approved by the Audit Committee annually.



IAD also report to IAC on the outcome of ESCB audits and other audit issues. Reports from the IAC are submitted to the ECB Governing Council and also to relevant ESCB Committees.

## External Audit

The Comptroller and Auditor General audits, certifies and reports on the Central Bank's Statement of Accounts and remits both his or her report and the Statement of Accounts to the Minister. Furthermore the Central Bank's Statement of Accounts are audited by independent external auditors

## System of Internal Controls

The Central Bank prepares a Statement on Internal Controls (SIC)<sup>6</sup> which describes the key control and risk management procedures that have been implemented by the Commission, to provide reasonable rather than absolute assurance regarding its approach to ensuring the Central Bank delivers on its objectives. In addition, the Central Bank's external auditors review the SIC as part of preparing their report on the Central Bank's Statement of Accounts.

## Risk Management

Risk management and robust internal control are an integral part of the Central Bank's governance and management systems. Risk management comprises the identification and assessment of risks, the implementation of control measures, the review and monitoring of controls and regular reporting to senior management and the Commission on the effectiveness of control measures. The Central Bank's risk management frameworks seek to safeguard the security, continuity, compliance and integrity of operations in support of the Central Bank's strategy and business objectives. The accountabilities of management and staff in respect of the Central Bank's risk management frameworks are set out in a range of policies, which are reviewed and approved by the Commission or its Committees.

### ➤ Risk Appetite

The Commission has defined an overarching risk appetite for the Central Bank. The risk appetite and underlying limits and tolerances are an important part of the Central Bank's internal governance. The risk appetite supports the Central Bank's risk management approach, which includes measures for identifying and assessing financial and non-financial risks, implementing and monitoring the adequacy of control measures, managing incidents and breaches, and reporting the status of risks, control and remedial actions. Assessing the Central Bank's actual risk profile against its risk appetite permits the Commission to determine the adequacy of these risk management activities. An abridged version of the risk appetite is provided on [the Central Bank's website](#).

## Public Spending

All Irish public bodies are obliged to treat public funds with care, and to ensure that the best possible value for money is obtained whenever public money is being spent or invested. The

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<sup>6</sup> Code of Practice for the Governance of State Bodies, 2016 sections 7.3 and 7.4.

Central Bank has a structured process in place to appraise all capital investment. Each project is considered by the Budget and Finance Committee<sup>7</sup>, unless the committed cost exceeds €5m, in which case it is considered by the Commission.

Operations within the Central Bank are broadly aligned with principles and spirit of The Public Spending Code.

## Procurement

The Central Bank has in place a centralised procurement function responsible for maintaining effective and compliant procedures for the tendering and approval of vendors in accordance with public procurement requirements, incorporating regular reporting to the Commission's Audit Committee.

## 3.2 Compliance

The Central Bank's mandate is underpinned by legislation, compliance with which is managed across the relevant business divisions of the Central Bank.

In addition, the Central Bank is subject to a range of other legislative provisions, in areas such as employment law, health and safety, data protection etc. Responsibility for compliance with such legislative provisions is led by a relevant business division, with obligations of management and staff clearly communicated through Central Bank policies and procedures.

Relevant business divisions consult with the Central Bank's Legal Division if they have any queries on the Central Bank's statutory mandate or legal obligations in this regard.

Furthermore, Central Bank compliance with non-statutory provisions is led by a relevant business division (e.g. Human Resources), again with the obligations of senior management and staff communicated through Central Bank's policies and procedures.

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<sup>7</sup> As proposed in the roll out of the Governance Framework Project

## Chapter 4 Accountability and Transparency

This chapter includes information on the Central Bank's most pertinent accountability mechanisms, together with some particular measures which enhance transparency.

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### 4.1 Accountability

The Central Bank provides accountability for its legislative mandate through the following mechanisms:

#### Strategic Plan

In accordance with section 32B of the 1942 Act, the Central Bank is obliged to prepare and publish a strategic plan every three years.

The Minister has the power to define the form of a strategic plan but not its content. When he or she receives the strategic plan, the Minister must lay it before the Oireachtas. As soon as practicable after becoming aware that a strategic plan has been laid before the Oireachtas, the Central Bank must publish and take all reasonable steps to implement it.

#### Annual Report and Annual Performance Statement

In accordance with section 32K of the 1942 Act, the Central Bank prepares a report of its activities during the year and presents this report to the Minister within six months after the end of each financial year. Section 32J(3) of the 1942 Act requires the Central Bank to prepare and transmit to the Comptroller and Auditor General a Statement of Accounts for the financial year concerned. The Comptroller and Auditor General audits, certifies and reports on the Statement of Accounts and remits both his or her report and the Statement of Accounts to the Minister.

Copies of both of these documents are laid (by the Minister) before each House of the Oireachtas.

The Central Bank is required by section 32L of the 1942 Act to prepare an annual performance statement on the regulation of financial services for submission to the Minister by 30 April each year. In accordance with the 1942 Act, the performance statement must be in three parts:

- A Regulatory Performance Plan outlining the aims and objectives of regulatory activity planned for the current year;
- A review of regulatory performance during the preceding year having regard to the Regulatory Performance Plan for that year, including activities carried out by the Internal Audit function and the Registrar of Credit Unions and any other relevant matters; and
- Report of any international peer review on the Central Bank's performance of its regulatory functions carried out under this legislation during the year.

Within one month of receiving a Regulatory Performance Statement, the Minister must lay the Statement before each House of the Oireachtas.

The Minister may, from time-to-time, request the Governor or the Commission to consult with the Minister as regards the performance by the Central Bank of any of its functions. However, the Minister may not consult with the Governor in relation to his ESCB functions.

## Appearances before Oireachtas Committees

The Governor, a Deputy Governor or the Registrar may be obliged to attend before a Joint Committee of the Oireachtas responsible for examining matters relating to the Central Bank and to provide that committee with such information as it requires, subject to the TFEU and the ESCB Statute and to the Central Bank's professional secrecy and confidentiality obligations.<sup>8</sup>

The Governor or a Deputy Governor may also be requested to attend before an Oireachtas Committee to provide that committee with information relating to the Central Bank's performance statement. In such circumstances, the Governor or Deputy Governor shall appear before the committee and provide the committee with such information as it can about the Central Bank's performance statement, subject to the Central Bank's professional secrecy and confidentiality obligations.<sup>9</sup>

## Statutory Inquiries

The Central Bank and its officers and employees are from time to time called upon to provide evidence to inquiries established under Statute. In its dealings with any such inquiry, the Central Bank must comply with the confidentiality obligations imposed under Section 33AK of the 1942 Act.

## Peer Reviews

The Central Bank must arrange, at least every four years, for performance of its regulatory functions to be reviewed by another national central bank, or another person or body whom the Governor has certified as appropriate, following consultation with the Minister.<sup>10</sup>

In practice, peer reviews, in accordance with the legislation, are carried out on a regular basis. Details of these reviews are reported on annually every year in the Annual Performance Statement.

## 4.2 Transparency

### Engagement with our External Stakeholders

The Central Bank aims to be an open, credible and responsible organisation and wants all stakeholders (including the public, regulated firms, the media, the Oireachtas and Central Bank staff) to understand what we do – and why. Timely, effective and accessible communications are vital in achieving this goal.

We place a high value on relationships with our stakeholders and with our customers (i.e., those members of the public who interact with the Central Bank in the context of receiving services from the Central Bank) and we are committed to engaging with them in a spirit of openness and transparency, while delivering high quality services, consistent with the commitments in our [Customer Charter](#), [Complaints Handling Procedure](#), Freedom of Information Policy and [the](#)

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<sup>8</sup> Central Bank Act 1942, section 33AM.

<sup>9</sup> Central Bank Act 1942, section 33L.

<sup>10</sup> Central Bank Act 1942, section 32M.

[Central Bank's Irish Language Scheme](#). We communicate extensively through social and digital media to ensure that interested members of the public can receive information directly from us.

To enhance transparency, and to build an understanding of the Central Bank's work, we publish the minutes of the Commission and accounts of the Banks' Macro prudential Measures Committee. We also publish transcripts of key media interviews, as an example of our commitment to ensuring complex messages are accessible to all stakeholders. To enhance communication and engagement with our stakeholders the Central Bank hosts roundtable discussions on economic and financial issues allowing representative groups, civil society groups and other interested stakeholders an opportunity to discuss our role and decisions.

When developing Irish regulatory policy, the Central Bank engages with a range of national stakeholders, for example, the DoF, and consumer and industry representative organisations. Public consultations are also held on significant policy initiatives. The Central Bank's procedures in relation to consultation policy are set out in the [Central Bank of Ireland Policy on Consultations](#).

The Central Bank engages actively in the European regulatory policy process, contributing to the development of sound rules well adapted to the Irish context and supporting the work to transpose those rules into Irish law and provide the framework for their application to Irish financial firms and markets.

## Freedom of Information

The Freedom of Information Act 2014 (the FOI Act) provides members of the public with the right to access information held by public bodies to the greatest extent possible, consistent with the public interest and right to privacy. The aim of the FOI Act is to promote transparency and accountability of public bodies. The provisions of the FOI Act applies, in part, to the records of the Central Bank.

In addition to certain general exemptions, the Act provides for specific exemptions in respect of the records of the Central Bank. [Further information on FOI can be found on our website](#).

## Chapter 5 Internal Governance Structures

This chapter includes information on other internal governance structures in place which embed good governance practices and processes across the Central Bank.

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### 5.1 Cross-Organisational Committees

While the Commission has overall responsibility for the management and control of the Central Bank, there are a number of cross-organisational committees (see Appendix 1) with responsibility for coordinating the development and implementation of policies, and advising on major issues.

The Central Bank's cross-organisational committee structure comprises both operational and mandate related committees, all with approved terms of reference which are reviewed on an annual basis. It is through involvement with cross-organisational committees that the Central Bank's senior management team contribute, among other things, towards the development and execution of the Central Bank's strategy, risk appetite and organisational culture.

The Governor's Committee (chaired by the Governor) is the key executive decision-making body, on matters of an administrative and management nature, and that have strategic, bank-wide or external significance. This Committee's role is to advise, assist and support the Governor in fulfilling his or her responsibilities, including those functions delegated by the Commission to the Governor. For the purposes of this Committee the Governor is identified as the key decision maker.

The Governor's Committee is supported in this role by other high-level committees, which in part reflect the structures in place at Commission and Commission sub-committee level. A list of cross-organisational committees (both operational and mandate-related) is set out below:

#### Operational Committees

- **The Senior Leadership Committee** (chaired by the Governor), and which comprises the senior leadership team including all Directors and Governor's Committee members, is responsible for owning the strategic plan and collectively leading its successful implementation; as well as delivering the Central Bank's vision through unified, values-driven leadership.
- **The Operations Committee** (chaired by the Chief Operations Officer) advises on key operational processes, including relevant policies, with a view to ensuring the Central Bank manages its operational functions in an efficient and effective manner and oversees the portfolio of programmes and projects required to implement the Central Bank's Strategic Plan.
- **The Risk Management Committee** (chaired by the Deputy Governor-Central Banking) oversees the design, maintenance and continuous development of effective frameworks for the management of the Central Bank's principal internal risk exposures. A key objective is to ensure risks are managed within the Commission's approved risk appetite and associated tolerances. The committee also reviews relevant risk items before they are submitted to the Commission's Risk Committee.
- **The Budget and Finance Committee** (chaired by the Chief Operations Officer) was established to formulate and monitor the Central Bank's annual budget, oversee and advise (within delegated limits) on the approval of investment envelope items, and consider industry levy financing matters from a process perspective. The committee will also review relevant finance items before they are submitted to the Commission's Budget and Remuneration Committee.

## Mandate Related Committees

- **The Financial Stability Committee** (chaired by the Governor) advises on issues related to the Central Bank's financial stability mandate. The committee monitors and assesses domestic and international economic and financial developments, highlights potential areas of concern relevant to the Irish financial system and draws conclusions from the analysis. A key focus of the committee is to identify potential actions that can be taken to mitigate risks to financial stability and to follow up on previous measures. Formulation of specific actions may be requested by the Governor for completion by management within or outside the committee. Actions may take the form of consideration and review of macro-prudential policy instruments as well as consideration of recommendations from and to the Central Bank's Macro-prudential Measures Committee.
- **The Financial Regulatory Oversight Committee** (chaired by the Governor) ensures effective coordination of regulatory work and related cross-Central Bank policy initiatives. The committee does not consider ESCB tasks or operational matters.
- **The Macro-prudential Measures Committee** (chaired by the Governor) advises on the regular reviews of relevant national macro-prudential measures and makes recommendations about maintaining or revising these rules as appropriate. The Central Bank is the designated national macro-prudential authority in Ireland. In recent times, several macro-prudential measures have been activated via the banking system. These include: borrower-based measures such as mortgage rules; the counter-cyclical capital buffer; the other systemically important institution buffer; and reciprocation of macro-prudential policy measures taken by other Member States.
- **The Supervisory Risk Committee** (co-chaired by the Deputy Governor-Prudential Regulation and the Director General–Financial Conduct) advises on issues central to the management of supervisory risks and also, on the development and enhancement of risk-based supervision and supervisory engagement.
- **The Policy Committee** (co-chaired by the Deputy Governor-Prudential Regulation and the Director General–Financial Conduct) advises on regulatory policy issues and initiatives including consultation papers, feedback statements, codes, guidelines, and regulations before their adoption in accordance with relevant delegations.
- **The Resolution Committee** (chaired by the DG-CB) advises the Governor on issues central to the fulfilment of the Central Bank's role in the resolution of: the Central Bank and Credit Institutions (Resolution) Act 2011; the European Union (Bank Recovery and Resolution) Regulations 2015; the European Union (Single Resolution Mechanism) Regulations 2015; and those institutions categorised as 'Category 1' firms<sup>11</sup> or MiFID firms, Insurance and Reinsurance firms categorised as 'Category 2A' firms<sup>12</sup> in the Central Bank's Authorisations and Revocations Framework.
- **The Authorisation Committee** (co-chaired by the Deputy Governor-Prudential Regulation and the Director General–Financial Conduct) will be convened to consider the authorisation of certain regulated entities as required.

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<sup>11</sup> Category 1 firms are credit institutions, central securities depositories, insurance and reinsurance undertakings that are likely to be allocated a medium high or above PRISM rating, central clearing houses, branches of credit institutions established outside of the European Economic Area, and MIFID firms deemed to be category 1 firms by the Director of Asset Management Supervision.

<sup>12</sup> Category 2A firms in the context of the Resolution Committee are insurance and reinsurance undertakings that are likely to be allocated a medium low or low PRISM rating, and MIFID firms deemed to be category 2A firms by the Director of Asset Management Supervision.

- [The Financial Regulation Framework Committee](#) (co-chaired by the Deputy Governor-Prudential Regulation and the Director General–Financial Conduct) centralises oversight of the Fitness and Probity regime.<sup>13</sup> The committee drives the effectiveness of the Fitness and Probity regime and direct its impact on the financial services industry. The committee considers Central Bank strategy and policy (to include regulatory, supervisory and enforcement policy, including implementation of regulatory or legislative change) and facilitates co-ordination, cooperation and consistency in relation to the operation of the Fitness and Probity regime across the Central Bank.

Furthermore, the Central Bank has prepared guidance to assist those involved with cross-organisational committees (i.e., the chairperson, the secretary and other committee members). This information is made available to those involved with cross-organisational committees, and a brief note on same can be found [in our RSL](#).

## 5.2 Corporate Policy Framework

The Central Bank's Corporate Policy Framework provides guidance on the development, review and management of Corporate Frameworks and Policies. This document contains a Corporate Policy Hierarchy, which documents the criteria for assigning the appropriate level and approval authority for each Corporate Policy. Templates are also available to assist in the development of policies. A register of Corporate Policies has been compiled and is accessible to all staff.

## 5.3 Protected Disclosures

A comprehensive suite of employment and immunity protections for 'whistle-blowers', regardless of the nature or characteristics of their workplace, have been introduced in the Protected Disclosures Act 2014 (the 2014 Act).

All public bodies, including the Central Bank, are obliged under the 2014 Act to have internal procedures in place for dealing with protected disclosures and for these to be made available to their workers. The Central Bank has in place established procedures for the making of a protected disclosure. The procedures set out the process by which a worker can make a disclosure, what will happen when a disclosure is made and what the Central Bank will do to protect a discloser.

## 5.4 Memorandums of Understanding (MoUs)

The Central Bank has in place a Memorandum of Understanding Guidance Framework to assist in the establishment, recording and ongoing management of MOUs. A register of MOUs has been compiled and is accessible to all staff.

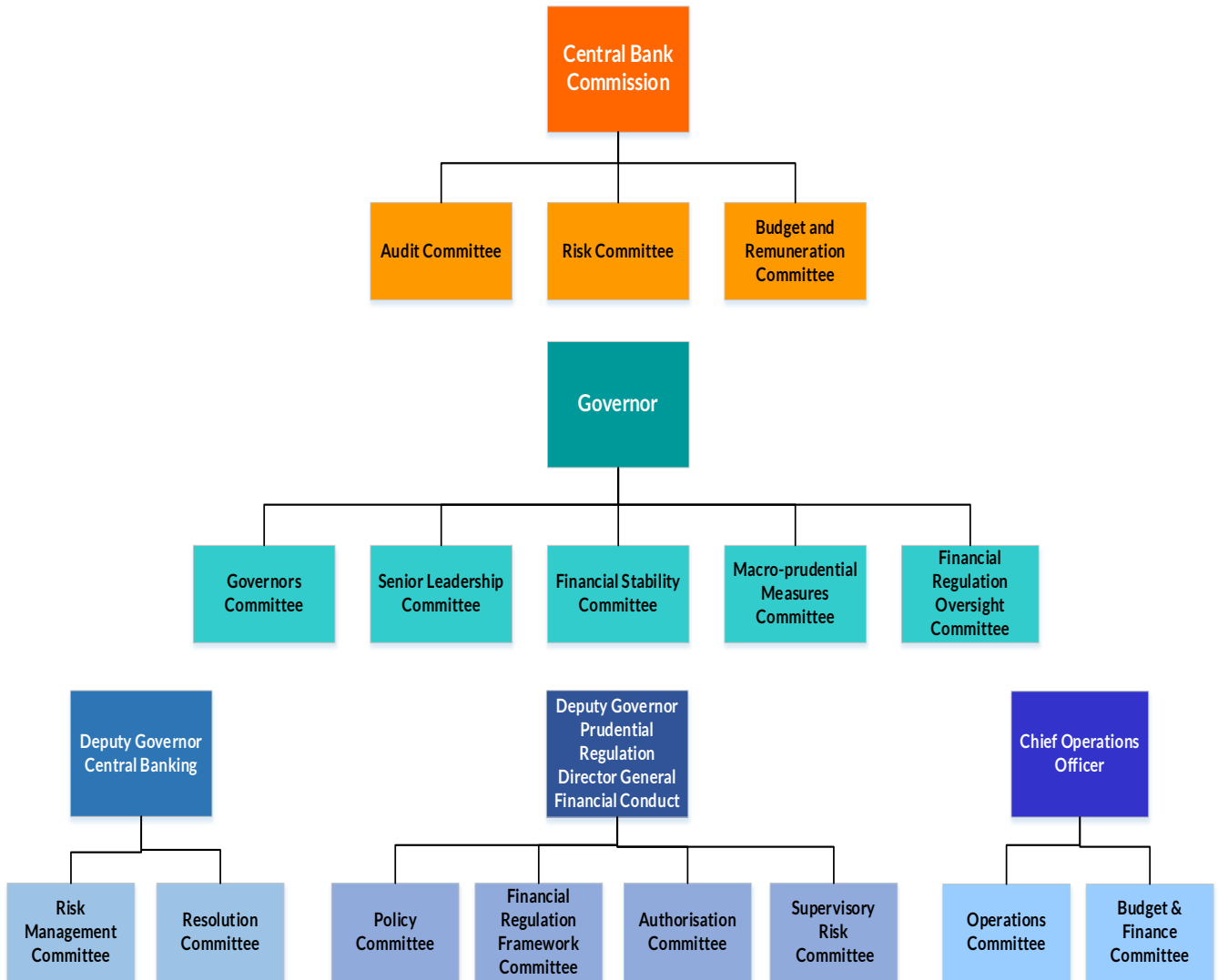
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<sup>13</sup> The Fitness and Probity Regime was introduced by the Central Bank under the Central Bank Reform Act 2010.



# Appendix 1

## Internal Governance – Cross-Organisational Committees



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