



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem



Strengthening Consumer Protection

Derville Rowland, Director General, Financial Conduct

Civil Society Roundtable 2019

Central to our Strategic Plan...

- Priority theme: “The best interests of consumers are protected and confidence and trust in the financial system is enhanced through effective regulation of firms and markets.”
- Embedded in every area of the Central Bank’s work across our financial conduct, prudential regulation and central banking mandates.
- Delivered through high quality regulation (rules), purposeful engagement, effective gatekeeping (keeping unfit individuals out), assertive supervision and robust enforcement.
- Requires a strong culture of compliance where regulated firms and individuals act in the best interests of customers and adhere to a culture of fairness and high standards.



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2019 – Key outcomes

- Brexit – driving firms to mitigate potential risks to consumers from a hard Brexit scenario
- Tracker Mortgage Examination final report
 - 40,500 affected consumers, €693m now paid in redress and compensation
- First Tracker Mortgage Examination enforcement outcome – PTSB fined €21m
- New requirements for financial intermediaries to disclose commission arrangements to consumers
- New insurance transparency rules to benefit consumers
- Banned the sale of binary options and restricted the sale of contracts for differences (CFDs) to Irish retail consumers



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The infographic is titled "Making broker commissions clearer" and "Protecting consumers". It features the Central Bank of Ireland logo and the Eurosystem name. A central illustration shows a woman and a man sitting at a table, discussing documents. A hand holding a tablet labeled "New Rules" points towards the text. A speech bubble states: "We're introducing new rules about broker commissions." A purple box explains: "The rules are designed to protect you by making broker commissions clearer & more transparent." Below this, a section titled "From 31 March 2020 all financial brokers¹ in Ireland must..." lists four requirements with icons: 1. Tell you about any commission they receive for selling you a financial product or service. 2. Not call themselves "independent" if they take a commission where advice is provided. 3. Not take a commission that could go against your best interests. 4. Not accept hospitality like golfing trips or sports tickets from financial product or service providers. A note at the bottom defines a financial broker as a regulated firm that engages in intermediation activities.

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Making broker commissions clearer

Protecting consumers

We're introducing new rules about broker commissions.

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

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

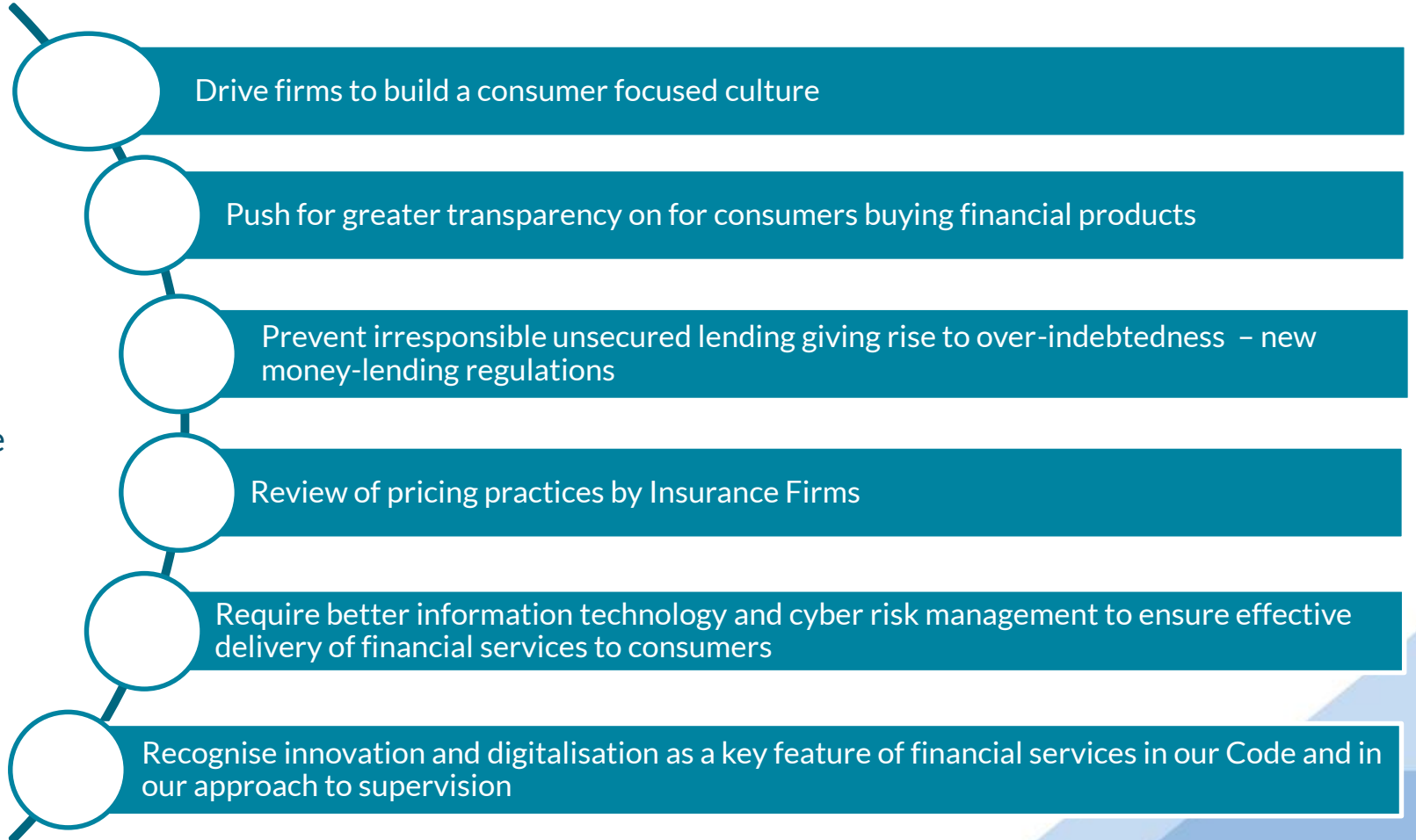
- ...tell you about any commission they receive for selling you a financial product or service.
- ...not call themselves "independent" if they take a commission where advice is provided.
- ...not take a commission that could go against your best interests.
- ...not accept hospitality like golfing trips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

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

2020 – Looking ahead

Prioritisation necessary:

- 10,000+ entities to regulate and supervise.
- Need to focus resources where we see significant risks for consumers



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Civil Society Roundtable – 29 November 2019

Seana Cunningham, Director of Enforcement and Anti Money Laundering

CENTRAL BANK MISSION

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

ENFORCEMENT MISSION

We take enforcement action that holds firms and individuals accountable and serves to deter misconduct and promote compliance and high standards in financial services



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Recent Enforcement Actions

- Fine of €21m imposed on PTSB - largest regulatory fine imposed to date
- Fine of €3.5m imposed on RSA Ireland for governance failures and accounting irregularities
- Fine of €5.9m imposed on Wells Fargo Bank International for regulatory reporting failures
- Fine of €1.6m imposed on JP Morgan Administration Services Ireland for outsourcing failures
- Fine of €280,000 imposed on Campbell O'Connor & Company for anti-money laundering and countering the financing of terrorism compliance failures
- Former Head of Commercial Lending in INBS disqualified for 18 years and fined €23,000

**Tracker mortgage scandal:
Permanent TSB hit with €21m
fine, the largest-ever imposed by
Central Bank – Independent.ie**

**Former manager at Irish
Nationwide fined €23,000 and
disqualified for 18 years – Irish
Independent**

**Campbell O'Connor &
Company stockbrokers
fined by Central Bank –
RTE.ie**



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PTSB Enforcement Action – what did we find?

- Serious failings to 2,007 tracker mortgage customer accounts which were impacted for the period between August 2004 and October 2018.
- PTSB denied its customers a tracker mortgage or did not put them on the correct tracker rate resulting from a number of failings:
 - **Failure to warn certain customers about the consequences of decisions they might make relating to their mortgage**
 - **Operational and systems failings**
 - **Decision to deny certain customers their correct tracker rate between 2009 and 2010**
 - **Incorrect legal interpretation of contractual terms and conditions**



PTSB – The public statement

“Consumers must have confidence that lenders are acting in their best interests.”

“Firms must fully adhere to all legal and regulatory obligations, including the Central Bank’s Consumer Protection Codes that we have put in place to ensure that consumers are treated fairly by the firms we regulate.”



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THE IRISH TIMES

Mon, Jul 1, 2019

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PTSB fined €21 million over ‘unacceptable harm’ caused by tracker mortgage scandal

Fine is largest ever issued by the Central Bank

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Tags # MIGHT FINE # PERMANENT TSB # PTSB # TRACKER MORTGAGE

Permanent TSB fined record €21 million over tracker mortgage scandal

PTSB has apologised “unreservedly” to the customers affected by the tracker mortgage scandal.



The fine was levied

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Irish lender Permanent TSB fined €21m after overcharging scandal

Penalty follows failure by bank to pass on ‘tracker’ mortgage rates to customers

Fitness & Probity

Regulated firms and individuals who work in these firms are committed to high standards of competence, integrity and honesty, and are held to account when they fall below those standards.

➤ Gatekeeper function

- An individual was prohibited for a period of 10 years in July 2019 for providing false and misleading information when he applied for PCF approval for his firm, a mortgage intermediary.
- 84 individual application withdrawals following engagement with Enforcement.

➤ F&P investigations

In February 2019, for the first time, a full Prohibition Notice was published in respect of the indefinite prohibition of a partner in an insurance intermediary who had misappropriated client funds.

Central Bank secures court orders against director of mortgage firm
– Irish Times

Central Bank issues prohibition notice to director – RTÉ



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Unauthorised Providers

- ❑ Investigates and takes enforcement action as needed against unauthorised entities (firms and individuals)
- ❑ Guards the perimeter against unauthorised activity – supporting the Bank’s mission in serving the public interest and working to ensure that the financial system operates in the best interests of consumers
- ❑ Protects some of our most vulnerable consumers - supporting the Bank in strengthening consumer protection
- ❑ 369 Warning Notices issued against unauthorised providers as at 29 November 2019
- ❑ Inter agency collaboration

If the deal sounds like it is too good to be true it probably is!!

Irish Independent 

Warning as online scam targets the vulnerable with offer of quick loans



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The Future - Individual Accountability Framework

Senior roles in regulated firms come with serious responsibilities.

Four Pillars of the Proposed Individual Accountability Framework

Conduct Standards

Senior Executive
Accountability
Regime

Enhancing the F&P
Regime

Unified Enforcement
Process



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THANK YOU

If you have any further questions not addressed today please contact
outreach@centralbank.ie



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Further reading:

- Central Bank Consumer Hub: www.centralbank.ie/consumer-hub
- Tracker Mortgage Examination reports: www.centralbank.ie/consumer-hub/tracker-mortgage-examination
- Enforcement action against PTSB: <https://www.centralbank.ie/news-media/press-releases/press-release-enforcement-action-permanent-tsb-30-may-2019>
- New requirements for financial intermediaries: <https://www.centralbank.ie/news/article/press-release-intermediary-commissions-25-sept-2019>
- New insurance transparency rules: <https://www.centralbank.ie/news-media/press-releases/press-release-new-insurance-transparency-rules-1-november-2019>
- Enhancement of the Central Bank's supervisory and enforcement toolkit: <https://www.centralbank.ie/news/article/press-release-central-bank-supervisory-enforcement-toolkit-enhanced-derville-rowland-22-oct-2019>
- Central Bank Annual Performance Statement 2018-2019: www.centralbank.ie/docs/default-source/publications/corporate-reports/annual-performance-statement/annual-performance-statement-2018-2019.pdf?sfvrsn=15

