



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Overview of the Individual Accountability Framework

IBA Dublin – International Financial Law Conference – 16 May 2024

Origin of the Individual Accountability Framework (IAF)

- 2018 Behaviour and Culture Report on the Irish Retail Banks:

“The Central Bank proposes the introduction of a new Individual Accountability Framework which would apply to banks and other regulated financial service providers. The Framework includes **Conduct Standards** for regulated financial services providers and the staff working in them, a **Senior Executive Accountability Regime** as well **enhancements** to the existing **Fitness & Probity Regime** and **enforcement process.**”

- Key objectives are to improve governance and culture, and so to achieve better outcomes for consumers.
- A legislative change was required to give the Central Bank the necessary powers to introduce the Individual Accountability Framework (IAF).



Scope of the Individual Accountability Framework (IAF)

Which firms?

- **Conduct Standards**, and enhancements to the existing **Fitness & Probity Regime** and **enforcement process** all to all regulated financial service providers.
- **Senior Executive Accountability Regime (SEAR)** will apply to relevant executive roles (from 1/7/24) and non-executive directors (from 1/7/25) in banks, insurance firms (but not reinsurers) and certain investment firms.

Which roles?

- Individuals in key and customer facing positions, referred to in legislation as **Controlled Functions (CFs)** and **Pre-Approval Controlled Functions (PCFs)**.
- SEAR will apply only to PCFs.



1. New Conduct Standards

Common Conduct Standards

Apply to all CF and PCF role-holders

- act with honesty and integrity
- act with due skill, care and diligence
- cooperate in good faith and without delay with the Central Bank and other regulators or authorities
- act in the best interests of customers and treat them fairly and professionally
- operate in compliance with standards of market conduct and trading venue rules

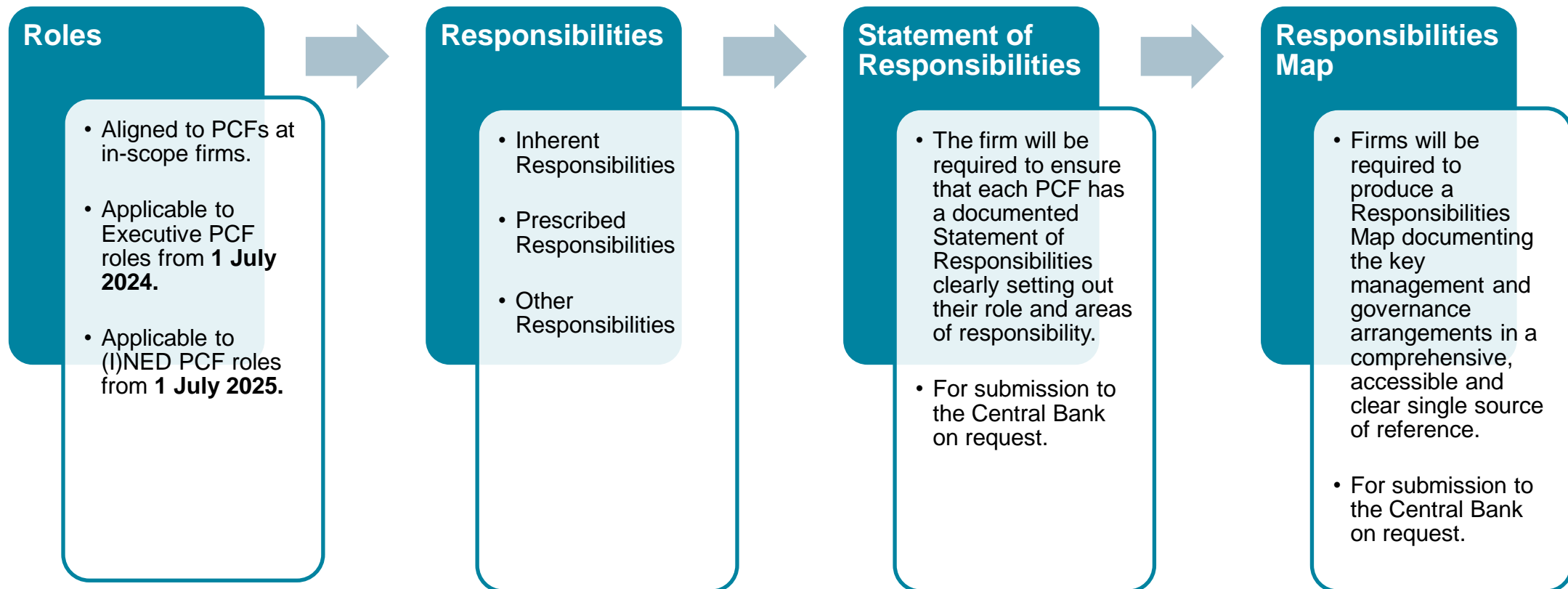
Additional Conduct Standards

Only apply to PCF role-holders + others with significant influence

- to ensure that the business of the RFSP is controlled effectively
- to ensure that the business of the RFSP is conducted in accordance with its obligations under financial services legislation
- that any delegated tasks are assigned to an appropriate person with effective oversight
- that any information of which the Bank would reasonably expect notice in respect of the business of the RFSP is disclosed promptly and appropriately to the Bank



2. Senior Executive Accountability Regime (SEAR)



3. Enhancements to Fitness & Probity (F&P) Regime

- New duty on firms to certify for each CF (including PCF) role-holder:
 - the role-holder complies with the F&P standards, and
 - has agreed in writing to comply and notify the firm if no longer complying
- Firms must certify an individual as part of their appointment
- Annual certification process with some elements submitted to Central Bank

- F&P Regime also extended to apply to holding companies established in Ireland



4. Enhancements to Administrative Sanctions Procedure

- Previously, the Central Bank could only pursue a ‘person concerned in the management’ of a firm where:
 - a case had first been proven against the firm, and
 - the Central Bank could then prove that the individual ‘participated’ in a breach by the firm

This was not consistent with the principle of Individual Accountability

- Now:
 - the Central Bank can pursue an individual directly in the case of misconduct
 - a breach of the Conduct Standards could be subject to enforcement action
- However:
 - principle of Reasonable Steps applies
 - greater balance in fair procedure (independence, ability to appeal, role of High Court)



The IAF has been designed to support high quality leadership and governance of financial firms.

It aims to do this by bringing enhanced clarity to the governance of such firms, to the allocation of responsibilities, and to the expectations that apply to those running the firms.

Importantly, it seeks to do this in a manner that has proportionality and reasonable expectations embedded at every point.

