



Individual Accountability and Conduct Standards – Your next steps

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Who's with you today



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Agenda

1 Individual Accountability Framework - Overview

2 Draft Heads of Bill

3 3 sets of Conduct Standards

4 Certification Regime

5 Programme Structure

6 How KPMG can help

7 Q&A

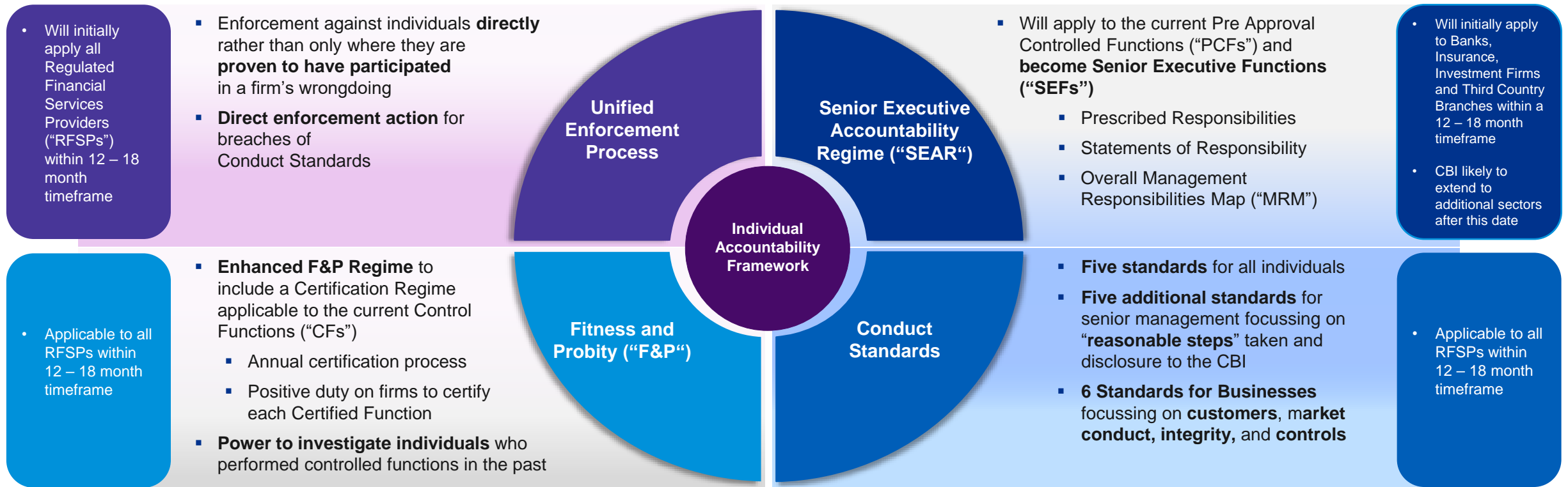


1/

Individual Accountability Framework – Overview & Impacts

The Central Bank of Ireland's proposals

The Senior Executive Accountability Regime (SEAR) is one of four elements of the Individual Accountability Framework (IAF) proposed in the CBI's July 2018 report *Behaviour and Culture in Irish Retail Banks* and contained within the Draft IAF Heads of Bill published late July 2021:



The IAF will closely resemble the UK SMCR however there are some key differences:

- Application of 3 sets of conduct standards to all RFSPs at once (non-phased approach) – with implementation over 12 – 18 months
- Additional Standard focussing on reasonable steps to participate in collective decision making
- Introduction of Conduct Standards for Business

Impacts of the proposals

The Proposals will have far reaching impacts across all in-scope Regulated Financial Services providers, addressing matters cross the following areas:



2/

Draft IAF Heads of Bill

Draft IAF Heads of Bill



P1 - General Provisions

1. Citation and Commencement
2. Definitions
3. Interpretation



P2 - Senior Executive Accountability Regime (SEAR)

4. Senior Executive Accountability Regime
5. Duty of responsibility of persons performing Senior Executive Functions (SEFs)

The regulator aims to put the mechanics of its intended senior executive accountability regime out to public consultation after the Bill is enacted.



P3 - Conduct Standards

6. Standards for business
7. Common Conduct Standards
8. Additional Conduct Standards
9. Breaches of Conduct Standards

Draft IAF Heads of Bill



P4 - Fitness and Probity Regime

- 10. Certification
- 11. Investigation of persons formerly performing Controlled Function (CF) roles
- 12. Confirmation of Suspension Notices
- 13. Durations of Suspension Notices
- 14. Information gathering powers and applicant firms
- 15. Application of Fitness and Probity Regime to Financial Holding Companies
- 16. European Central Bank (ECB) Competence for PCF assessment of Key Function Holders (KFH)
- 17. Probation Notices - Clarification
- 18. Discontinuance or varying of Prohibition Notices



P5 - Enforcement

- 19. Extension of scope of enforcement - Breaking of “participation link”
- 20. Statutory commencement of an Administrative Sanction Procedure (ASP) investigation by the Central Bank
- 21. Absolute privilege for statements and documents
- 22. Documentary evidence
- 23. Investigation reports
- 24. Presentation of results of an investigation
- 25. Obstructive actions at Inquiry
- 26. Duty of confidentiality
- 27. Publication of information disclosed at Inquiry
- 28. Publication of Inquiry transcripts
- 29. Disqualification sanction
- 30. Monetary sanctions for individuals
- 31. Confirmation of sanctions by the High Court
- 32. Publication of settlements
- 33. Disclosure to the Bank of privileged material



P6 - Miscellaneous Provisions (Amendments)

- 34. S.33AK of the Principal Act
- 35. S.33AQ of the Principal Act
- 36. S.34 of the Principal Act
- 37. S.57G of the Principal Act
- 38. S.61G of the Principal Act
- 39. S.41 of the 2010 Act
- 40. S.43 of the 2010 Act
- 41. S.46 of the 2010 Act

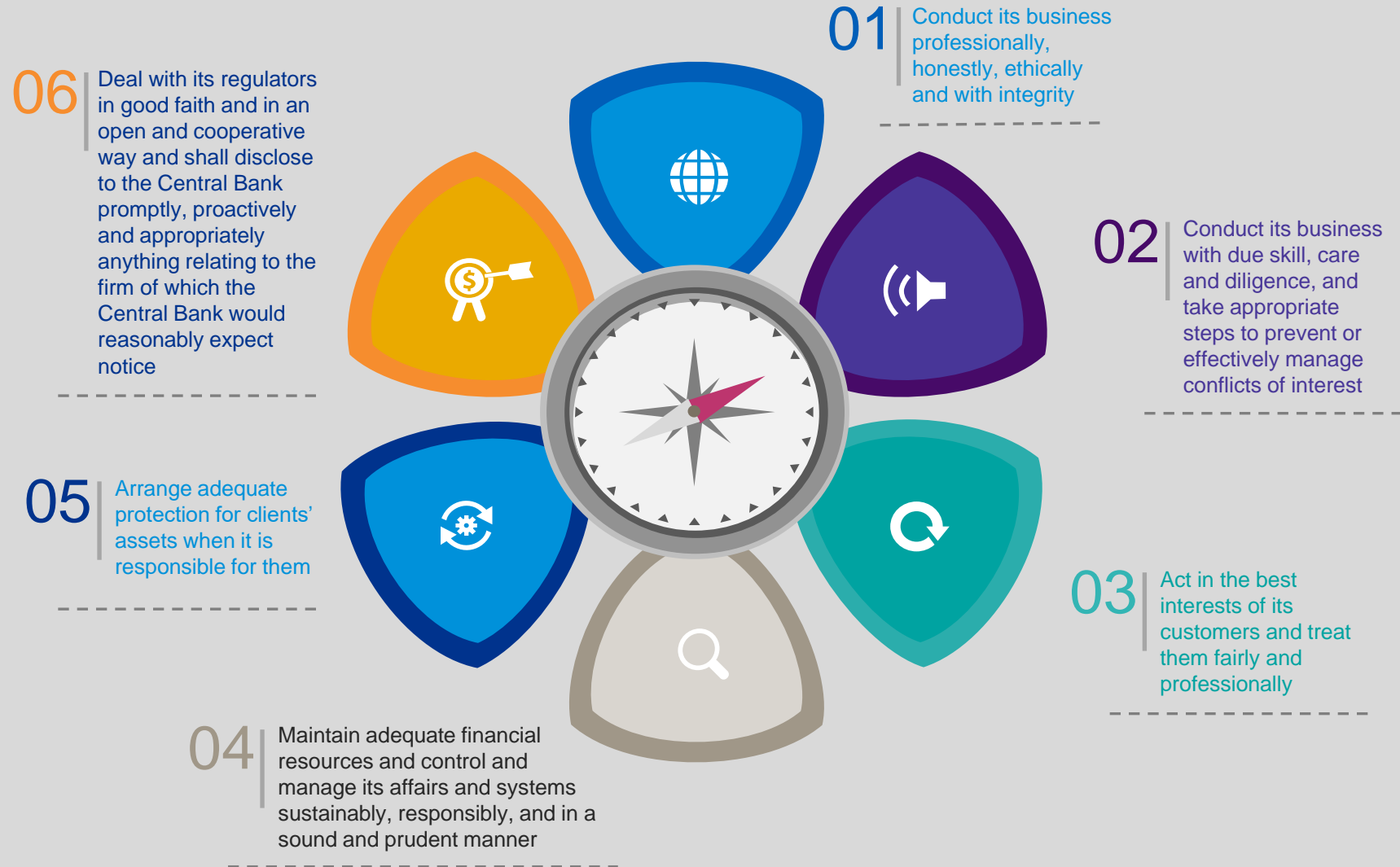
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3 Sets of Conduct Standards - impacts

Conduct Standards – for Business

Applicable to all RFSPs
within 12 – 18 month
timeframe

The following conduct standards will be applicable to all Regulated Financial Services Providers (RFSPs):



Common Conduct Standards

Applicable to all CF's and PCF's within all RFSPs within 12 – 18 month timeframe

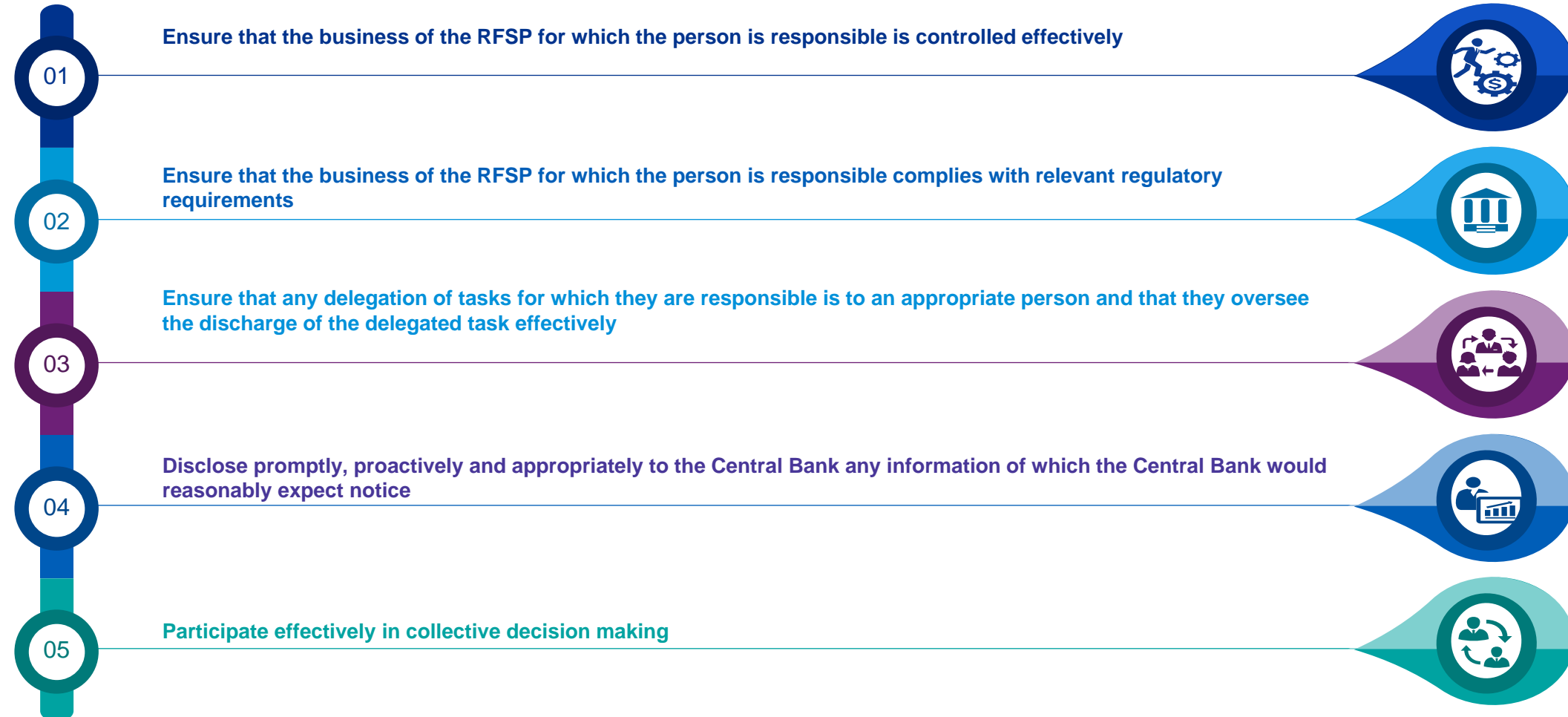
The following common conduct standards will be applicable to all persons performing a controlled function within RFSPs:



Additional Conduct Standards

Applicable to all RFSPs within 12 – 18 month timeframe
Will apply to PCF and potentially CF-1 and CF-2

The following additional conduct standards will be applicable to all persons performing pre-approved controlled functions and persons who exert significant influence within RFSPs:

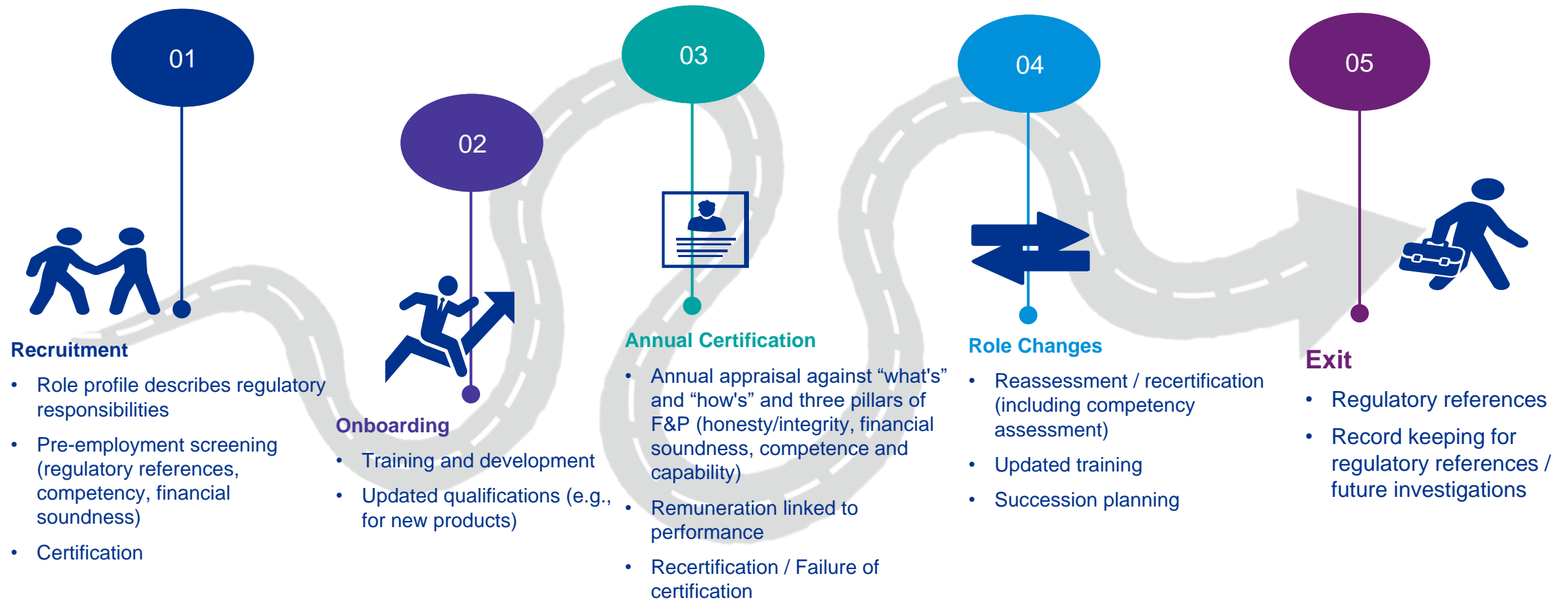


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Certification Regime

Certification Regime - Employee Lifecycle

Applicable to all CF's
within all RFSPs within
12 – 18 month timeframe



Ongoing Record Keeping, Reporting and Population Tracking

- Document initial due diligence & record regulatory references
- Pass / Fail certification

- Deliver induction training and set goals
- Align performance management cycle to F&P requirements

- Conduct annual appraisal and assessment
- Align with F&P requirements
- Pass/Fail certification

- Reassess certification depending on trigger event identified (e.g., long term leave, low performance rating)
- Pass/Fail certification

- Reassess certification in accordance with new role requirements
- Address succession planning
- Pass/Fail certification

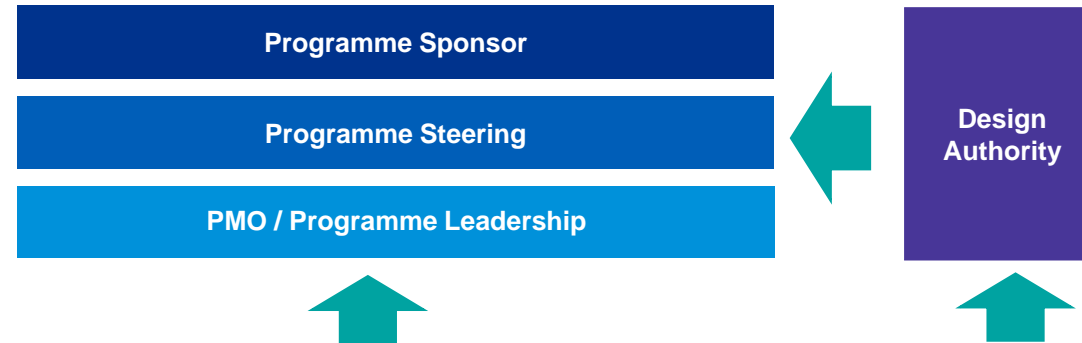
- Issue regulatory reference
- Retain records
- Update regulatory references

5/

Programme Structure

Programme Structure - Illustrative

The structure outlined is illustrative and should be proportionate to the individual RFSP's business model, IT infrastructure, etc.



| Governance Structure review workstream | Senior Executives Roles & Responsibilities workstream | Certification workstream | Employment / Contractual Documentation workstream | HR Policies & processes workstream | Conduct Rules workstream | Training & communication workstream | Change Management / IT & Record Keeping TOM workstream | IT & Record Keeping workstream | Technology workstream |
|--|--|---|--|--|---|---|---|--|---|
| <ul style="list-style-type: none"> Governance Structures assessment Committees vs Legal entities readiness assessment Redesign committee structures Document key management and governance arrangements | <ul style="list-style-type: none"> Senior executive roles population identification (inc. Board) Responsibility mapping (individual & firm) Reasonable Steps development | <ul style="list-style-type: none"> Certification population identification F&P gap assessment Roll out of Certification process and procedures | <ul style="list-style-type: none"> Assessment of employment documentation Determine contractual changes where applicable Union engagement | <ul style="list-style-type: none"> Assessment of HR Policies and Procedures Assessment of disciplinary policies and procedures | <ul style="list-style-type: none"> Conduct population identification for individuals (inc. new hires) Assessment and role out of additional conduct standards for Senior Executives Breach reporting | <ul style="list-style-type: none"> Senior manager training Certification training Conduct training BAU training / roll out Communication plan and roll out | <ul style="list-style-type: none"> Change management plan Target operating model design Transition roadmap | <ul style="list-style-type: none"> MI production Records identification and management | <ul style="list-style-type: none"> Requirements specification Technical specification Test Implementation |

6/

How KPMG can help

Are you ready – questions you need to ask?

01

F&P Compliance:

Are you fully meeting the CBI's expectations on Fitness and Probity compliance, as outlined in its Dear CEO letters of April 2019 and November 2020?

02

Communication and Planning:

Have the CBI Individual Accountability /SEAR proposals been communicated appropriately? Have you identified your steering committee and created a project plan?

03

Impact Assessment:

Have you conducted an impact assessment on how the Individual Accountability requirements will affect your business? Have you identified potentially impacted documentation?

04

Control Environment:

Are you aware of the weaknesses or deficiencies in your underlying control environment? Are you satisfied with your outsourcing control environment and third party risk management?

05

Governance Structures:

Do you understand your governance structures and are these clearly documented (including any overseas entities where significant influence exists)? Have you started to look at the roles and responsibilities of Senior Managers?

06

"Reasonable Steps":

Do you understand the concept of "reasonable steps" and have you the appropriate frameworks and governance in place to demonstrate that "reasonable steps" are taken in the event of a potential regulatory breach?

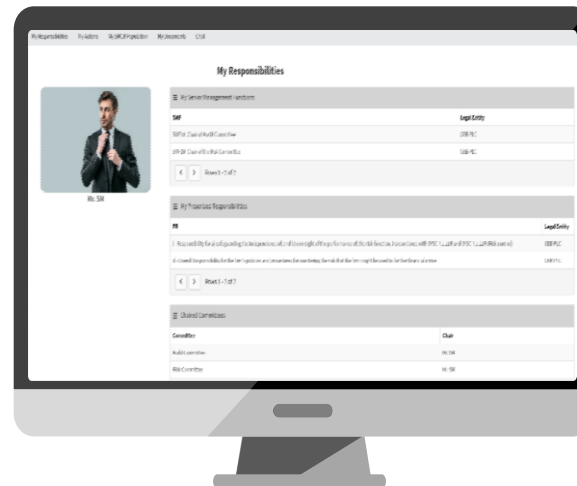


Technology Support - Accountability Manager Tool

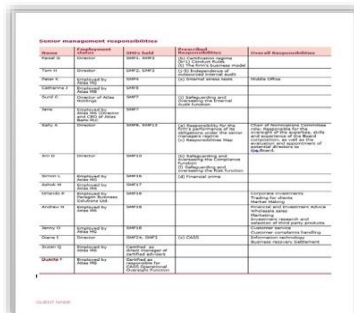
We strongly believe that technology is key to ensure compliance with the regime in BAU. We have clients re-engaging with us as the manual processes they implemented to manage the regime were too time consuming and a heavy burden on resources. Our solution is a ServiceNow Platform, but the beauty is in the workflows beneath the tool which we can work with you and use for any tool of your choice.



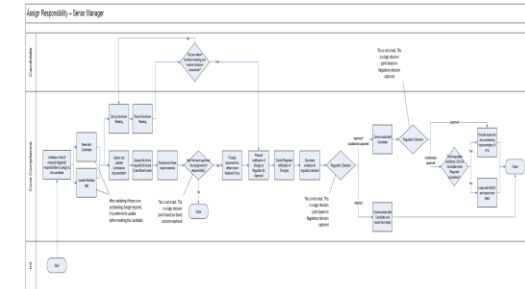
- Identifies gaps against the regulatory requirements triggering alerts;
- Monitors Fitness and Proprietary with auditable evidential trail; and
- Allows for customised user interfaces and workflows.



- Helps clients control Individual Accountability risk exposure and improve strategic planning and decision making; and
- Manages resignations, changes in responsibility, and new appointments seamlessly.



KPMG's Accountability Manager solution is an application hosted on the **ServiceNow platform**. It is a single source of truth to manage and track all relevant Accountability requirements. Each user's access levels are predetermined based on their role within the organisation and their responsibilities associated with the regime



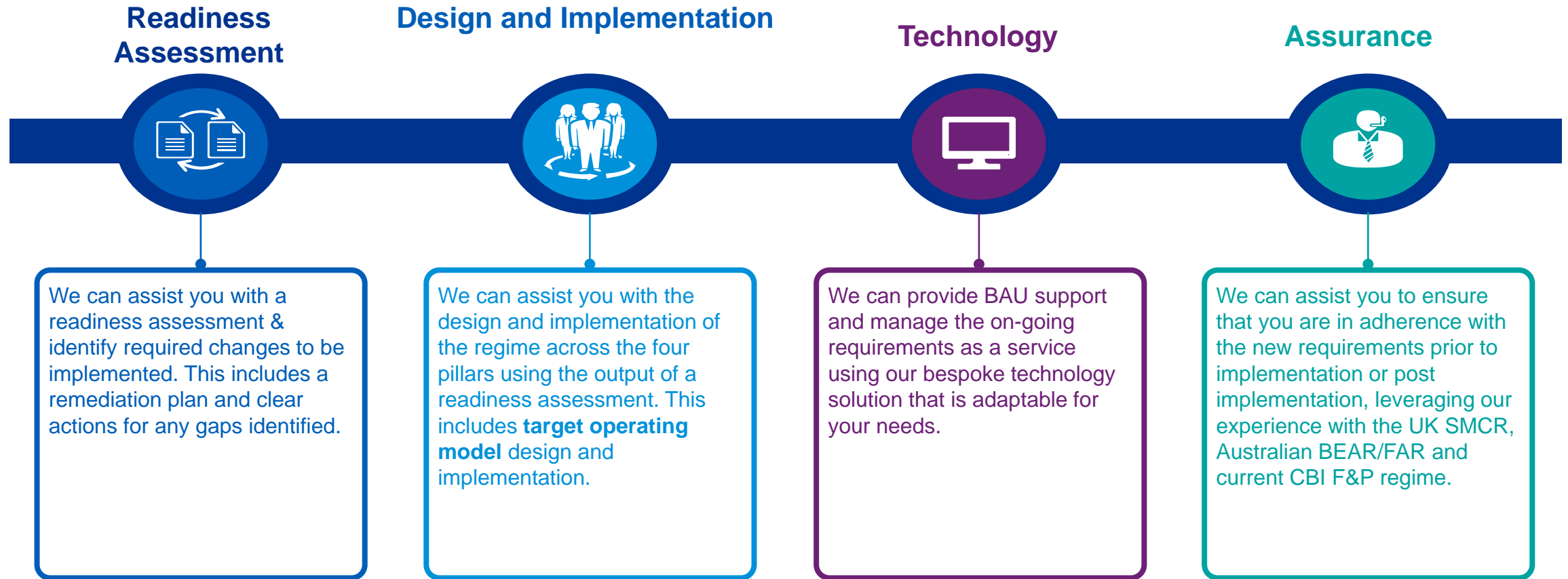
- Leverage the power of self-service to help clients focus on tasks;
- Hierarchical access rights help manage conflicts;
- Task management flows and MI dashboards enable monitoring of progress relating to new appointments and certifications; and
- Stores draft and annotated documents (e.g. Management Responsibility Maps) alongside the 'live' version.



The screenshot shows the Microsoft Dynamics 365 interface. At the top, there is a navigation bar with 'Documents' selected. Below the navigation bar, there is a search bar with the text 'All > Type > SMCR - Draft MRM on, Type > SMCR - Filed MRM on, Type > SMCR - Live MRM'. Below the search bar, there is a table with the following columns: Name, Owner, Type, Audience, and Classification. The table contains three rows of data:

| | Name | Owner | Type | Audience | Classification |
|---|-----------|----------------|------------------|----------|----------------|
| ▶ | Filed MRM | Joanne Pereira | SMCR - Filed MRM | Internal | Confidential |
| ▶ | Draft MRM | Joanne Pereira | SMCR - Draft MRM | Internal | Confidential |
| ▶ | Live MRM | Joanne Pereira | SMCR - Live MRM | Internal | Confidential |

How can KPMG help you?



Multi-disciplinary Team

We have a multi-disciplinary and experienced team, made up of Regulatory, Risk, Legal, IT, People and Change personnel to assist clients manage this large scale programme of work in a seamless manner

7/ Q&A

Thank You!



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