



The Individual Accountability Framework (“IAF”) Consultation

Key features of the Central Bank of Ireland’s recently published Consultation Paper

Introduction

In response to the enactment of the Central Bank of Ireland (Individual Accountability Framework) Act 2023 (the “Act”) on 09 March 2023, the Central Bank of Ireland (“CBI”) launched a three-month consultation process on 13 March 2023 focused on key aspects of the Individual Accountability Framework (“IAF”), together with the publication of draft Regulations and draft IAF Guidance.

The [Consultation Paper](#), draft [Regulations](#), and draft [IAF Guidance](#) aim to provide firms with greater clarity as to the CBI’s expectations for implementation of the four main pillars of the IAF:

- Senior Executive Accountability Regime (“SEAR”),
- Conduct Standards,
- Enhancements to the current Fitness and Probity (“F&P”) Regime, and
- Enforcement process

This is an important step towards supporting sound governance and positive outcomes in the financial sector. In publishing its Consultation Paper, the CBI highlighted the effectiveness of related regimes introduced in other jurisdictions, both from the perspective of regulators and the firms to which they apply.

The CBI has highlighted that at the heart of its approach to implementation are the principles of proportionality, predictability, and reasonable expectation, acknowledging that this is important in

preventing a deterring effect in relation to recruitment and retention. This is underpinned by the principle that where “**reasonable steps**” have been taken to achieve an outcome, that will be sufficient to discharge the relevant obligation. The CBI is also mindful in its Consultation Paper of the cost of compliance and has committed to seeking to minimise compliance cost in its approach to supervision.

Stakeholders are encouraged to provide feedback on the CBI’s proposed approach to all aspects of the IAF, with the consultation process remaining open until **13 June 2023**.

Implementation Timelines

The CBI’s Consultation Paper proposes the following implementation timelines (noting that it will publish a report on the operation of the IAF three years after its implementation):

EFFECTIVE DATE	REQUIREMENT
From 31 December 2023	Conduct Standards including the accountability of senior individuals for running their parts of the business effectively (i.e. Additional Conduct Standards)
From 31 December 2023	F&P Regime enhancements including firm certification requirements and the inclusion of holding companies within the regime
From 01 July 2024	SEAR for those firms in-scope of the initial phase

It is important to note that all **Regulated Financial Services Providers** (“RFSPs”) are expected to be in compliance with the Conduct Standards and the enhancements to the F&P Regime by 31 December 2023, **irrespective of whether the firm is in-scope for the initial phase of the SEAR**. With this in mind, it is critical that all regulated firms take action now to assess the impact of the IAF on their governance structures and establish an implementation plan to address the applicable elements.

Key highlights of the Consultation Paper

1. Senior Executive Accountability Regime (“SEAR”)

Scope

- The Consultation Paper confirms that the SEAR will initially apply to:
 - o Credit institutions (excluding credit unions),
 - o Insurance undertakings,
 - o Investment firms which underwrite on a firm commitment basis and / or deal on own account and / or are permitted to hold client assets, and
 - o Incoming third country branches of these entities.
- The CBI intends to expand the scope of the SEAR to other regulated firms over time. Those firms that are not initially falling within scope are encouraged to embrace the SEAR mindset and consider allocated roles and responsibilities to promote overall good governance.
- The roles to which the SEAR applies at in-scope firms directly aligns to the listing of Pre-Approval Controlled Functions (“PCFs”) under the current F&P Regime. This includes Board members, Non-Executive Directors (“NEDs”), and Independent Non-Executive Directors (“INEDs”).

Responsibilities

- Detailed lists of **Inherent Responsibilities** (core to each specific PCF role) and **Prescribed Responsibilities** (allocated to PCF individuals at a general level and for specific sectors) for in-scope firms have been provided in the Draft Regulations. A reduced number of general Prescribed Responsibilities will apply to both Low PRISM impact rated in-scope investment firms and incoming third country branches of entities.
- In-scope RFSPs must also identify and subsequently allocate **Other Responsibilities** to individuals within a PCF role. These are defined

as other material functions, business areas, or projects that are not captured by Prescribed or Inherent Responsibilities.

- The sharing or splitting of Inherent or Prescribed Responsibilities among PCF roles is only permitted for job sharing. Individuals must be able to demonstrate that they took “reasonable steps” to discharge the shared responsibility, including how the activities and tasks were shared.
- The responsibilities of NEDs and INEDs included within the scope of the SEAR will be limited to their non-executive oversight responsibilities and aligns with their existing responsibilities under the Corporate Governance Requirements.

Statements of Responsibilities and Management Responsibility Map

- The Consultation Paper confirms that in-scope firms must create a **Statement of Responsibilities** (“SoR”) for each of their PCFs outlining their role, the specific areas of their responsibility, and any outsourcing arrangements. A template SoR is provided in the IAF Guidance for consideration in the consultation process.
- Firms must also create a **Management Responsibility Map** (“MRM”) documenting key management and governance arrangements. Detailed guidance on its completion, including the information to be included (including outsourcing arrangements) and key questions for consideration, is provided in the IAF Guidance.
- SoRs and MRMs should be available to the CBI on request, and firms will also need to submit the relevant SoR with any new PCF applications.

Duty of Responsibility and Reasonable Steps

- The SEAR introduces a **Duty of Responsibility** for individuals performing PCFs at in-scope firms to take “reasonable steps” to ensure that the areas of the firm for which they are responsible conform to legislative and regulatory requirements.
- The IAF Guidance provides clarity on what this means in practice and notes that the CBI will consider what an individual in that position could reasonably have been expected to do at that point in time. This will include considering whether an individual has only been recently appointed to the role and their overall level of experience.
- To understand the “reasonable steps” taken by individuals, the CBI may request, for example, meeting minutes, SoRs, MRMs, organisation charts, job descriptions, or performance appraisals.



2. Conduct Standards

- The Consultation Paper confirms that the Additional Conduct Standards will apply to both PCF and Controlled Function 1 (“CF1”) role holders. It is also verified that the Standards for Business which will apply to all firms are already established in the Consumer Protection Code (“CPC”) and will be updated as part of the current CPC review if required.
- In the IAF Guidance, further detail on the CBI’s expectations in relation to the Conduct Standards is provided alongside a non-exhaustive list of examples of the “reasonable steps” individuals may take to ensure compliance.
- The critical role that training plays in embedding the Conduct Standards within firms is highlighted as well as the requirement for firms to notify and provide appropriate training to PCF and CF role holders.
- Where a firm has taken formal disciplinary action against individuals for breaching the Conduct Standards, they are legally obliged to report this to the CBI within five business days from the conclusion.

3. Enhancements to the Current F&P Regime

- The Consultation Paper highlights that the IAF will not result in substantive change to the F&P Regime and that for clarity, the F&P Regime and the IAF can continue to be considered separately.
- However, the IAF will introduce a number of improvements to the current F&P Regime including the proposed extension of the existing scope, and the prescription of CFs and PCFs, to holding companies established in Ireland.
- In line with industry expectations, the CBI has introduced a requirement for firms and relevant

holding companies to certify on an annual basis that CF and PCF role holders within their organisation are fit and proper and in compliance with the F&P Standards. F&P certification details will not be required to be submitted to the CBI, however they should be available if requested.

- Building on the PCF-50 Head of Material Business Line for credit institutions introduced in October 2020, the Consultation Paper proposes the introduction of a similar Head of Material Business Line role for both insurance undertakings and investment firms.
- For temporary PCF appointments, it is confirmed that both the SEAR and Duty of Responsibility (if applicable) and Conduct Standards will apply, however the particular circumstances of the individual will be considered when evaluating whether that individual has taken “reasonable steps”.

4. Enforcement Process

- The Consultation Paper confirms the amendments to the Administrative Sanctions Procedure (“ASP”) and the CBI’s ability to take enforcement action directly against individuals for breaches of their obligations without first having to find a firm in breach of legal and regulatory requirements.
- Before commencing any enforcement action or imposing monetary penalties, the CBI will consider all of the circumstances, including the seriousness of the suspected breach and the harm or potential harm involved.
- The CBI intends to launch a separate consultation process on the changes to the ASP in mid-2023. This consultation will include the revised ASP Outline, ASP Inquiry Guidelines, and ASP Sanctions Guidance for stakeholder consideration.

Next steps

With the CBI’s consultation process on the IAF commenced, it is important that all regulated firms take steps now to assess the impact of the IAF on their governance structures and establish an implementation plan to address the various elements.

While the SEAR will initially apply only to certain RFSPs, all firms are expected to comply with the Conduct Standards and the enhancements to the F&P Regime, irrespective of whether the firm is in-scope for the SEAR.

The IAF has the promotion of responsible senior management and board behaviour as well as the advancement of cultural change at its core. Firms’ implementation should therefore also focus on fostering a balanced boardroom. Our views on this important topic will be published on our [Individual Accountability Framework website](#) in the coming weeks to support firms with integrating Diversity and Inclusion (“D&I”) concepts into firms’ IAF readiness efforts.

How can KPMG help?

KPMG’s Risk and Regulatory Consulting team has experience in leading large-scale regulatory change programmes within Ireland as well as in implementing similar Individual Accountability regimes across the globe, particularly in the UK (Senior Manager and Certification Regime) and Australia (Banking Executive Accountability Regime).

Members of our Irish team have been involved in the design and implementation of global accountability regimes for small, medium, and large organisations. We have also supported several Irish clients with IAF readiness assessments and implementation planning. We will leverage our experience and global network, coupled with our extensive knowledge of the Irish financial services market, to support firms in this process.

Our team of IAF experts includes our inhouse legal team who can provide advice on all elements of IAF and SEAR (including any HR or contractual implications of the legislation).

We can support you in your preparation for the IAF in the following ways:



Readiness Assessment

We can assist you with a readiness assessment and identify required changes to be implemented. This includes a remediation plan and clear actions for any gaps identified.



Technology

We can advise you on technology solutions to manage the IAF requirements, using our bespoke technology solutions which include our Accountability Manager Tool, that are adaptable for your needs.



Design and Implementation

We can assist you with the design and implementation of a programme of work to implement the IAF requirements using the output of a readiness assessment. This includes target operating model design and implementation.



Assurance

We can assist you to ensure that you are in adherence with the new requirements prior to implementation or post implementation, leveraging our experience with implementing and advising on F&P requirements as well as Individual Accountability regimes such as the UK’s Senior Manager and Certification Regime, and Australia’s Banking Executive Accountability Regime / Financial Accountability Regime.

Contact us

If you have any queries related to the Individual Accountability Framework, please reach out to any of our team – we'd be delighted to hear from you.



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