

Society of Actuaries of Ireland

Irish Regulatory Update

12 December 2011



Agenda

- **Fitness and Probity requirements**
- **Corporate Governance Requirements**



Fitness and Probity Requirements 1 December 2011

Background

Requirements - The new enhanced fitness and probity regime applicable to all financial services institutions regulated by the Central Bank of Ireland (CBI) requires assessment of people in existing control functions as fit and proper.

Categories - Control Functions are defined in the new legislation as Pre-approved Control Functions (PCF) or Control Functions (CF).

- **PCFs** - will require approval by the CBI prior to appointment going forward. PCFs include Board members and heads of various control functions.
- **CFs** - include anyone responsible for the provision of areas which are generally speaking, customer facing. It also includes senior functions not captured by definition under PCF.

Timeframes

- March 2011: Consultation Paper 51 was issued
- September 2011: Regulation, Standards and draft guidance were published
- November 2011: Final Guidance Notes issued November 2011
- 1 December 2011: Identify all existing PCFs
- 1 March 2012: All new CFs must be fit and proper
- 1 December 2012: All existing CFs must be fit and proper



CF Assessment of existing CFs

- **Step 1** – Identity CFs
- **Step 2** – Define due diligence process
- **Step 3** – Completed due diligence:
 - Competent and Capable
 - Honest, ethical and to act with integrity
 - Financially sound
- **Step 4** – Approve CFs as fit and

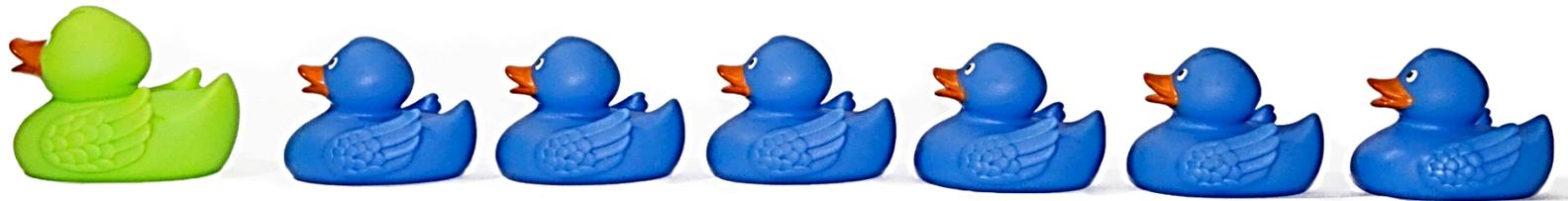


Step 2 - Defined Due Diligence process

- Identify required competencies using appropriate competency framework or job specs where unavailable
- Interpret the fitness and probity requirements
- Define documentary evidence required to assess:
 - Competent and Capable
 - Honest, ethical and to act with integrity
 - Financially sound

Ongoing requirements

- Annual declaration required from all CFs
 - Agree to abide by standards and
 - Notify AIB if CF no longer complies
- Maintain register and evidence of due diligence for all roles
- Annual audit
- Adequate internal controls



Corporate Governance Requirements November 2010

Focus of the Code

- Matthew Elderfield has made it clear in his speech that more diversity in the boardroom will help “avoid the pitfall of “groupthink” which contributed to the crisis”
- The Code requires the board to not only satisfy themselves that they are compliant with the Code but also that they are functioning in an effective manner
- Firms must therefore not only focus on adopting the new structures, procedures and requirements in the Code, they must also endeavour to appoint persons and create a boardroom environment that results in effective corporate governance

Policies and procedures

- Clear organisational structures
- Terms of reference of board, committees and senior management
- Document risk management framework
- Conflicts of interest policy
- Succession plan
- Breach reporting
- Risk appetite statement
- Remuneration policy



Board structure

- Decide on the appropriate size and structure of the board based on the type of firm in question
- Number of directorships – only 5 directorships can be held in Financial Institutions and a max of 8 total directorships
- Major Institutions – only 3 directorships can be held in financial institutions and a max of 5 total directorships
- Chairman – If the director is a chairman of another entity then Central Bank approval is required in order for them to act as a director. Can not be chairman of two entities or CEO within 5 yrs
- Unfettered power – consider number of sub committee memberships of each director, rotation requirements, independence, etc.

Board calendar

- Annual effectiveness evaluation
- Board membership must be reviewed once every three years
- Chairman must be proposed for election or reappointment on an annual basis
- Annual review of risk appetite
- Annual compliance statement
- Annual review of sub-committee terms of reference



Questions?

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