Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

Feedback Statement

Amendments to the Fitness and Probity Regime (CP160)

November 2025

Executive Summary

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. Delivering on our mandate involves ensuring that regulated firms are resilient, well-run and operating in the best interests of their customers.

The Fitness and Probity (F&P) Regime was introduced in 2011 with the aim of ensuring that individuals in key, and customer-facing, roles in regulated firms are competent and capable, honest, ethical and of integrity, and financially sound. The F&P Regime has been viewed positively during reviews by other authorities, for its alignment with other European regulatory frameworks and importantly, for raising the bar for the entry in key positions in the Irish financial services sector.

In view of the length of time that has passed since the initial introduction of the F&P Regime as well as the Irish Financial Services Appeals Tribunal decision in 2024, the Central Bank commissioned an external review of the transparency, efficiency and effectiveness of the F&P Regime. The related report, conducted by Mr Andrea Enria former Chair of ECB Supervisory Board (the Enria Report), contains a package of 12 recommendations, all of which were accepted by the Central Bank, and have been implemented as set out in our F&P Review - Report on Implementation of Recommendations[1].

Consultation Paper 160 – Amendments to the Fitness and Probity Regime

On 10 April 2025, the Central Bank issued Consultation Paper 160 (CP160) to address the recommendations of the Enria Report that called for increased clarity, transparency and accessibility of supervisory expectations in relation to the application of the Central Bank's Fitness and Probity Standards (Recommendation 2), and a review of the list of prescribed pre-approval controlled functions (PCFs) (Recommendation 3(b)).

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[1] Enria Report - Implementation (April 2025)

A total of 23 responses to CP160 were received (4 from regulated firms and 19 from industry bodies or representatives) with broadly positive feedback on the proposed approach. In particular, respondents welcomed the consolidation of all F&P related material into a single document (the draft Guidance on the Standards of Fitness and Probity) to ensure a clear, transparent and comprehensive articulation of the overall F&P framework and the additional clarity provided through the enhancements introduced to the framework.

Stakeholders also provided practical suggestions, both as part of the consultation process and at industry events, which were considered as part of this review.

Key changes

In the main, respondents sought confirmation regarding specific elements of the application of the F&P framework. Many requested further clarity regarding the approach to identifying the CF population, additional granularity in relation to the due diligence to be undertaken and greater flexibility in the Central Bank's expectations of the factors to be considered within F&P assessments. Accordingly, the Central Bank has amended the draft Guidance on the Standards of Fitness and Probity to provide additional detail, and to reflect the application of the principle of proportionality, and the appropriateness of case-by-case assessments.

Some respondents also queried the references within the draft Guidance on the Fitness and Probity Standards to legislation and/or requirements that apply to some, but not all, sectors (e.g. the Corporate Governance Requirements and the Senior Executive Accountability Regime (SEAR)). The updated Guidance reflects that while such references have been included to highlight what, in the Central Bank's view, constitutes best practice, these references are not intended to extend such legislation and/or requirements to sectors to which they do not currently apply.

Many respondents sought greater flexibility in the use of a 'Temporary Officer' (i.e. in the circumstances where an individual is permitted by the Central Bank to perform a PCF function on a temporary basis due to a vacancy). In view of the feedback received, the Central Bank has introduced new guidance to facilitate the appointment of a Temporary Officer when a PCF role becomes vacant.

Specifically, the Central Bank's updated Guidance allows a Temporary Officer to perform a PCF role by way of an arrangement agreed in writing with the Bank, for a period of up to six months upon certain conditions being satisfied (as set out in the revised Guidance).

We have also addressed points raised around IT systems and processes and further industry engagement is planned to discuss common issues.

Further, while the majority of respondents welcomed a planned substantive review of PCF roles, many of these stated a preference for a consolidated, once-off revision to the PCF list to avoid the administrative burden of assessing two sets of changes. On this basis, the Central Bank will review the PCF list substantively with a view to proposing changes to coincide with a review of the SEAR in 2027. At this time, we are introducing a small number of essential changes (specifically, the removal of two roles, and the addition of a Head of Safeguarding role for payment institutions, e-money institutions and crypto asset service providers).

Next steps

The changes to the F&P Regime introduced by this consultation will improve the efficiency of the underlying processes and reduce the burden for industry stakeholders. The Central Bank continues to support the strategic objectives of simplification of the regulatory framework.

The new Guidance will take effect from 25 November 2025.

Section 1: Introduction

1.1 Background

On 10 April 2025, the Central Bank of Ireland (the Central Bank) issued Consultation Paper 160 – Amendments to the Fitness and Probity Regime (CP160), to address some of the recommendations of the 2024 independent review of the Fitness and Probity (F&P) Regime (the Enria Report[2]). Specifically, CP160 addressed the recommendations of the Enria Report that called for increased clarity and transparency of supervisory expectations in relation to the application of the Central Bank's Fitness and Probity Standards[3], including ensuring that these expectations were consolidated and accessible for stakeholders (Recommendation 2); and a review of the list of prescribed pre-approval controlled functions (**PCF list**) (Recommendation 3(b)). CP160 sought to elicit the views of stakeholders on the consequent updates to the Central Bank's Guidance on the Standards of Fitness and Probity (**the draft Guidance**), and the Central Bank's proposed approach to the review of the PCF list.

The closing date for responses was 10 July 2025. During the consultation period, the Central Bank hosted a dedicated F&P industry workshop, at which there was a roundtable discussion on CP160 to allow respondents to raise questions and to provide further detail on written responses submitted. The Central Bank welcomes both the engagement at the workshop and the detailed submissions received, which contributed to providing a clearer understanding of the various issues raised.

1.2 Our approach

The Central Bank first introduced the F&P Regime in 2011. Since its introduction, the global financial system has rapidly evolved and the Irish financial services industry has significantly grown in size, complexity and interconnectedness, thereby expanding the breadth of the Central Bank's mandate. In view of this and in line with the increasing complexity of management structures, the F&P Regime

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[2] https://www.centralbank.ie/docs/default-source/regulation/how-we-regulate/fitness-probity/communications-publications/fitness-and-probity-review-by-andrea-enria.pdf?sfvrsn=ab7c611a_9
[3] Including the Fitness and Probity Standards for Credit Unions

has been incrementally extended over time. During the same period, there have been a number of developments within the overall regulatory framework that are of relevance, such as the introduction of corporate governance requirements and the Senior Executive Accountability Regime (SEAR). These developments together with the recommendations of the Enria Report have led the Central Bank to consolidate all the guidance documentation on F&P into a single document, and to enhance the Guidance to provide a clear, transparent and comprehensive articulation of the overall framework for the assessment of F&P of nominees for relevant roles.

In view of the feedback received, and with the aim of improving the regulatory regime and its impact on regulated firms, we revised the Guidance further to provide more clarity and to introduce significant additional flexibility for firms.

1.3 Summary of responses

A total of 23 responses to CP160 were received; 4 from regulated firms and 19 from industry bodies or representatives. This Feedback Statement summarises the responses and the Central Bank's position on the most material and/or consistently raised aspects of the responses. The Central Bank also received feedback from stakeholders through the consultation process and at industry events that has been addressed as part of this review.

Temporary Officers

We have introduced a streamlined approach to the appointment of Temporary Officers (Section 2). Previous guidance noted that this arrangement should only be used in exceptional circumstances, however feedback received suggested that a broader application of temporary officer appointments would better reflect the realities of recruitment and market conditions. As such we have updated the Guidance to permit a Temporary Officer to perform a PCF role by way of an arrangement agreed in writing with the Bank, for a period of up to 6 months upon certain conditions being satisfied.

The Consolidated Guidance

Respondents were supportive of the consolidation of all F&P related material into a single document to ensure a clear, transparent and comprehensive articulation of the overall framework for the assessment of F&P of candidates for relevant roles, and of the additional clarity provided by the enhancements introduced to the framework. In Section 3 we detail changes made to the draft Guidance on foot of the feedback received, including providing clarifications on, for example, time commitments, dual-hatting and expectations around due diligence.

The review of PCFs

While the majority of respondents welcomed the proposed substantive review of the PCF list, many of the submissions stated a preference for a consolidated, once-off revision to the PCF list to avoid the administrative burden of processing two sets of changes. Respondents also requested that, in making any change to a new PCF list, consideration be given to operational burden for firms adapting systems to accommodate a revised PCF list. In line with the feedback received, we are amending how we propose to approach the review of the PCF list (Section 4).

The F&P section of the Central Bank Portal

We have also responded to the feedback received and provided additional information in relation to the F&P section of the Central Bank Portal (Section 5).

1.4 Effective date of the updated Guidance

The updated Guidance will take effect from the date of publication of this Feedback Statement (25 November 2025).

Section 2: The appointment of a Temporary Officer

The F&P Regulations[4] provide that a person, termed a '**Temporary Officer'**, may perform a PCF function on a temporary basis subject to the Central Bank agreeing the arrangement in writing in advance[5]. The existing F&P Guidance stated that this arrangement should only be used in exceptional circumstances.

Eight respondents provided feedback in relation to Temporary Officers. All respondents, with the exception of one, commented that the current regime is not sufficiently flexible to meet the needs of firms across a variety of sectors. Specifically, respondents suggested that a broader application of temporary officer appointments would better reflect the realities of recruitment and market conditions.

While some respondents suggested alignment with the UK Financial Conduct Authority's 12-week-rule, others noted that a 12-week period is too restrictive and suggested that a six-month timeframe would be a more pragmatic and flexible approach given the potential variety of applicable scenarios.

Some respondents also noted that a "case-by-case" approach could lead to inconsistencies in application.

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[4] The Central Bank Reform Act 2010 (Sections 20 and 22) Regulations, 2011 (S.I. No. 437 of 2011), as amended, Central Bank Reform Act 2010 (Sections 20(1) and 22(2A)) Holding Companies Regulations, 2023 (S.I. No. 664 of 2023), as amended, and/or Central Bank Reform Act 2010 (Sections 20 and 22 - Credit Unions) Regulations 2013 (S.I. No. 171 of 2013), as amended.
[5] Regulation 11 of the F&P Regulations for RFSPs, Regulation 10 of the F&P Regulations for holding companies, or Regulation 10 of the F&P Regulations for credit unions, as applicable

Central Bank response

Having considered the feedback received, the Central Bank is introducing new Guidance to facilitate any circumstance whereby a PCF role becomes vacant in a regulated firm.

Notwithstanding that firms should have adequate succession plans in place for PCF roles, we recognise the need in some cases for temporary appointments whilst still ensuring that those holding the roles in a temporary capacity are fit and proper.

The updated Guidance permits a regulated firm to appoint a Temporary Officer to perform a PCF role for up to six months by way of an arrangement agreed in writing with the Central Bank on certain conditions having been met. These conditions are that a firm must notify the Central Bank of the following:

a) information on the circumstances which have given rise to the need for the Temporary Officer appointment;
b) confirmation that the proposed Temporary Officer has agreed to comply with the F&P Standards and will continue to do so whilst performing the PCF role;
c) for how long the appointment of the Temporary Officer is requested;
d) confirmation of the succession plans for the role where appropriate, noting there may be circumstances whereby the original PCF resumes the role within the permitted six-month period;
e) confirmation that the firm has satisfied itself that the person proposed to perform a role as Temporary Officer is suitable to perform that role for the temporary period;
f) confirmation that the firm has satisfied itself on reasonable grounds that the person complies with the F&P Standards and is in a position to certify same.

An appointment of a Temporary Officer will not take effect until the Central Bank has confirmed in writing that it agrees to the appointment.

Where a Temporary Officer is appointed to fill a role that has been *permanently* vacated, a firm will have to submit to the Central Bank a PCF application in respect of the role within three months from the date of the appointment. Such a PCF application may be in respect of the Temporary Officer fulfilling the role on a permanent basis, or may be in respect of another person. A Temporary Officer may perform the role while the firm is awaiting the outcome of the Central Bank's assessment of a PCF application, with a maximum six-month period for a Temporary Officer appointment.

The Central Bank may agree to an extension of the appointment of the Temporary Officer in exceptional circumstances.

If a PCF application is not submitted in respect of the role within the initial three-month period, the agreement of the Central Bank will lapse, and the Temporary Officer will no longer be approved to carry out the role. It should be noted however, that a PCF application will not be required where it is known that the previous PCF role holder will return to the role within six months. Where the previous PCF role holder returns to a role following an absence, their PCF approval remains valid, and another application will not be required.

Whilst Temporary Officers are not technically PCF role holders, they are considered to hold a CF-1 role on the basis that they can exert significant influence on the conduct of the affairs of the regulated firm. Therefore, the Common Conduct Standards and the Additional Conduct Standards set out under Section 53C of the Central Bank Reform Act 2010 will apply.

Firms subject to the SEAR are reminded that Prescribed Responsibilities must still be allocated to approved PCF role holders, which will not include the Temporary Officer.

A Temporary Officer will not be required to have a Statement of Responsibilities under SEAR, but firms should nevertheless ensure that the role and responsibilities of the Temporary Officer are appropriately set out and understood.

The Central Bank will monitor the appointments of Temporary Officers to mitigate overuse or misuse.

Section 3: Guidance on the Standards of Fitness and Probity

CP 160 describes how the Central Bank consolidated all existing guidance on the F&P Regime into a single document[6]. This draft Guidance provided a clear, transparent and comprehensive articulation of the overall framework for the assessment of F&P of relevant roles.

Specifically, through CP160 and the related draft Guidance, the Central Bank aimed to increase clarity and transparency of the F&P assessment process by:

a) identifying and incorporating objective measures (e.g. specific qualifications, experience requirements and time commitments) and role summaries for certain PCFs to the extent that they are utilised within the assessment process;

b) addressing conflicts of interest by including specific provisions on identifying, managing and mitigating conflicts of interest;

c) clarifying the way in which collective suitability and diversity within boards and management teams are assessed; and

d) outlining the approach to be adopted in determining the relevance of past events to an individual's application.

[6] The revised Guidance incorporates into one document the following texts:

- Guidance on the standards of fitness and probity;
- Guidance on the standards of fitness and probity for credit unions;
- Fitness and Probity Frequently Asked Questions;
- Fitness and Probity Frequently Asked Questions for Credit Unions;
- Guidance for reinsurance Undertakings on the F&P amendments 2015;
- Additions to the list of PCFs October 2020 - FAQ;
- Feedback Statement – Amendments to the list of PCFs April 2022;
- PCF 16 Information Note;
- Dear CEO (April 2019);
- Dear CEO (November 2020).

Respondents welcomed the consolidation of all F&P related material into a single document reflective of the overall framework for the assessment of F&P of relevant roles, and of the inclusion of the specific enhancements as outlined above but sought confirmation regarding specific elements of the application of the framework. With a focus on the most material and/or consistently raised aspects of the responses, in this Section we set out our response in full to the feedback received on specific elements of the F&P framework. In line with the feedback received, we have amended the draft Guidance to provide additional detail, and to reflect the application of the principle of proportionality, and the appropriateness of case-by-case assessments. We have detailed in this Section how we have approached the key points raised.

We have also made other amendments to the draft Guidance to address technical comments received and to provide additional clarity to firms, where appropriate.

3.1 Approach to identifying CF population

In line with recommendations in the Enria Report, CP160 outlined the Central Bank's intention to consolidate all F&P related guidance into a single document (i.e. the draft Guidance) to provide a centralised source of information. This consolidation incorporated the content of the Central Bank's FAQs on Fitness and Probity (FAQs)[7], which provided guidance on the identification by firms of both CFs and PCFs.

Nine respondents provided feedback on the approach to identifying the CF population outlined in Chapter 2 of the draft Guidance, with some common themes emerging, as set out overleaf.

[7] Including the Fitness and Probity for Credit Unions FAQs (2024)

PCFs as a subset of CFs

Six respondents queried the classification of all PCFs as CF-1[8]s, with some also questioning the appropriateness of the designation of all compliance-focused PCFs as CF-2[9] (as well as CF-1s). Specifically, respondents queried whether there are additional requirements or expectations in view of this dual classification.

Central Bank response

The Central Bank Reform Act 2010 provides the Central Bank with a regulation making power to prescribe CFs, and to prescribe a subset of CFs as functions for which the prior approval of the Central Bank is required before an individual can be appointed (i.e. PCFs). As such, PCFs have been classified as CFs since the introduction of the F&P Regime in 2011.

In the Central Bank's view, noting the importance of the roles designated as PCFs, all individuals occupying PCF roles can be said to have the 'ability to exercise a significant influence on the conduct of the affairs' of a firm and are therefore, at minimum, also CF-1. Further, as set out in the draft Guidance, there are specific PCF roles which should also be classified as CF-2 given their compliance-focus[10].

However, noting concerns regarding potential increased administrative burden, the Central Bank confirms that there are no new requirements or expectations associated with this dual classification. Specifically, this dual classification does not introduce any additional due diligence for PCFs. Moreover, where a firm certifies that an individual complies with the standards of fitness and probity in respect of a PCF role, the firm does not have to make certifications in respect of the CF-1 (or CF-2) aspects of that role.

[8] CF-1: The ability to exercise a significant influence on the conduct of the affairs of a regulated financial service provider.
[9] CF-2: Ensuring, controlling or monitoring compliance by a regulated financial service provider with its relevant obligations.
[10] e.g. PCF-12 (Head of Compliance), PCF-13 (Head of Internal Audit), PCF-52 (Head of Anti-Money Laundering and Counter Terrorist Financing Compliance) and CUPCF-4 (Head of Internal Audit).

The role of company secretary

Three respondents noted that the draft Guidance does not address the role of company secretary, while the FAQs had previously stated that "the role of Company Secretary is captured by the CF-1 category".

Central Bank response

The Central Bank has from time to time received queries regarding the appropriateness of the designation of the role of company secretary as CF-1, given the predominantly administrative nature of the role. On foot of these queries, the Central Bank confirms that the designation of a company secretary as a CF-1 should be determined on a case-by-case basis, where the functions carried out by the individual enable them to exercise a significant influence on the conduct of the affairs of the firm. Where a firm determines that the role carried out by their company secretary is purely the administration of company law matters, such individuals need not, for those activities alone, be designated as CF-1. The draft Guidance has been updated to reflect this position.

CF-2

The draft Guidance clarifies that the designation as a CF is dependent on the functions performed by the individual rather than their job title or position in the organisation structure, and specifies that on this basis, any individual who may be considered to be "ensuring, controlling or monitoring compliance" in the firm may fall under the scope of CF-2, as opposed to individuals working in the designated "compliance unit" only. Two respondents sought clarity as to whether the reference to working in the designated compliance unit captures junior staff.

In the context of CF-2, one respondent also queried whether, in the case of firms that have an Outsourced Internal Audit function and have a nominated PCF Head of Internal Audit, it is expected that other members of the outsourced Internal Auditor are nominated as CF-2.

Central Bank response

The designation as a CF is dependent on the functions performed by the individual. Where the functions performed by an individual constitute 'ensuring, controlling or monitoring' compliance by a regulated financial service provider with its relevant obligations, that individual is occupying a CF-2 role, regardless of their seniority. However, it is important to note that this does not extend to administrative or support staff in a compliance function. Similarly, with regard to firms that have an outsourced Internal Audit function, and have therefore a nominated PCF Head of Internal Audit, to the extent that other members of the outsourced Internal Auditor are directly involved in ensuring, controlling or monitoring compliance by the regulated financial service provider with its relevant obligations, those individuals are occupying a CF-2 role, but this does not extend to administrative or support staff in an audit function.

3.2 Due Diligence

Chapter 3 of the draft Guidance addresses the expected standards of fitness, probity and financial soundness of persons occupying CF and PCF roles, as well as the legal obligations on firms to undertake due diligence to ensure the standards are met. The majority of respondents provided feedback on this topic, with common themes emerging as follows:

General Due Diligence

A number of respondents (14) sought additional granularity regarding how due diligence is to be carried out, with some requests for practical examples and confirmation of the application of a proportionate approach to due diligence.

Four respondents noted difficulties in performing due diligence, such as gaining references and criminal checks, and when using public databases to search for personal financial information or cross-jurisdictional references.

Two respondents suggested that a register of PCF role holders detailing approval and sanctions history could be a useful tool in performing due diligence.

Central Bank response

The Central Bank acknowledges the number of responses in relation to the expectations of how firms complete due diligence, the requests for additional granularity and the obstacles and issues identified.

Given the range of sectors supervised by the Central Bank, the varying nature, scale and complexity of firms within these sectors, and the number and variety of PCF roles assessed, we expect that firms take a proportionate approach to the implementation of the F&P Regime. Specifically in relation to the extent of due diligence to be performed by firms, our expectation is that the nature of the role, and the nature and complexity of the firm is taken into account when determining the appropriate level of due diligence required.

Clarifications of the expected due diligence done by firms will be made from time to time and discussed at industry stakeholder meetings organised by the Central Bank. In relation to the issues and obstacles identified specifically, the Central Bank understands that firms may have difficulties in obtaining certain evidence for the purposes of due diligence. The expectation of the Central Bank is that firms carry out due diligence on a best-efforts basis and will take into account the limitations of public records.

The Guidance on due diligence does not differentiate between different sectors or firms, however the Guidance does remind firms that they can apply an approach consistent with the nature, scale and complexity of the firm and the roles therein. In addition, Appendix 4 of the Guidance points to where firms may rely on self-certification by individuals in CF3 - CF11, CUCF-3 - CUCF-8 and CURICF-3 - CURICF-11 roles.

As noted in the Guidance, the principle of proportionality cannot be applied in relation to probity, and the assessment must be conducted for all firms in the same manner.

In accordance with the certification requirements in Chapter 5 of the Guidance, a firm is required to undertake appropriate due diligence to satisfy itself that each individual performing a CF role, including a PCF role, is fit and proper to perform that role, and to be in a position to certify this.

The Central Bank acknowledges the suggestion for a register of PCF holders and will consider this suggestion when reviewing the PCF list, including assessing what benefit any such register could provide weighted against potential disadvantages including the costs of implementing and maintaining such a system.

Look-Back Period

The Central Bank recognises that the significance of past events may diminish over time and thus the draft Guidance sets out an approach to be adopted in relation to considering past events in the context of F&P assessments. Specifically, the draft Guidance provides firms with an approximate ten-year timeframe for which past events may be deemed material.

Nine respondents provided comments on the relevance of past events and in particular the approach to be taken in relation to the ten-year look-back period.

Five respondents supported the ten-year timeframe to assess the materiality/significance of the factors under consideration, including experience/conflicts of interest, regulatory or legal issues and sanctions (criminal, civil or regulatory action).

Four respondents sought confirmation in relation to the specifics of the ten-year look-back period including that:

- a firm’s searches can be limited to a ten-year period; and
- it applies to all matters (with the exception of where a custodial sentence may have been imposed) e.g. experience, bankruptcy, adverse media publications, civil proceedings etc.

Central Bank response

The Central Bank confirms that, as a general rule, the time elapsed since matters occurred is a factor when considering the relevance of the matter to the assessment of F&P. The ten-year timeframe has been included as a guide for firms in assessing diminishing relevance. We consider that if ten years have passed since the date of the final decision or finding in respect of the relevant action (save where a custodial sentence may have been imposed) and there are no other facts that raise material concerns regarding the individual's F&P, the individual is likely to meet the F&P Standards.

The exception is if there are aggravating circumstances that come to light during the course of assessing due diligence that could materially impact a person's F&P. The Central Bank would expect that this is investigated and disclosed, even if the event occurred more than ten years ago.

In response to requests for clarity in relation to the specifics of the ten-year look back period, we note that notwithstanding that ten years is given as a guide to relevance, firms should nevertheless seek information in relation to all criminal, civil or regulatory actions in respect of an individual regardless of when they may have occurred.

Financial soundness

Six respondents provided comments in relation to the due diligence required to evidence that individuals in, or applying for, CF (including PCF) roles are financially sound, with two respondents stating that the enhanced guidance was helpful in providing additional clarity on this topic. However, some respondents raised concerns which focused on the Central Bank's expectations regarding the level of due diligence to be carried out by firms and how this could increase their regulatory burden.

Two responses noted the potential for GDPR-related difficulties if requesting personal information regarding credit checks.

One respondent requested clarity on whether individuals should provide bank statements to support their financial soundness or if this can this be assessed by the firm on an exceptions basis (existence or lack of judgement debt/bankruptcy order).

Central Bank response

The Central Bank notes the concerns around the expectation for financial soundness review and the potential for increased regulatory burden. Accordingly, the reference to the need for the provision of *"evidence of financial soundness in order to uphold expected standards"* has been removed from the updated Guidance.

The Central Bank confirms that it does not expect PCF applicants/CFs to provide bank statements as part of the assessment of financial soundness.
In addition, the Central Bank confirms that, in general, the absence of a judgement or default will suffice, and checks should be performed on a best-efforts basis. It is the Central Bank's view that, unless there are further disclosures made by the applicant or concerns arise that warrant investigation, public records should be sufficient.

3.3 Capacity to perform a role

The standard of fitness includes a requirement that individuals have sufficient capacity to carry out the functions of the CF and PCF roles they occupy. Relevant factors for consideration in this regard include

- the time available to the individual to perform the role (which includes a review of other mandates held by the individual), and
- the availability and accessibility of the individual to the Central Bank.

Time commitments and other mandates

The draft Guidance sets out the Central Bank's expectations in relation to time commitments, specifying that individuals in CF and PCF roles must have sufficient time to dedicate to their roles to meet the standard of fitness, and further that the general expectation is that an executive PCF role is carried out on a full-time basis.

The majority of respondents (13) provided comments on time commitments, with many supportive of the need for case-by-case assessment. In this regard, four respondents noted that proportionality should apply in any such assessment, and six respondents suggested that the expectation of full-time commitment for each PCF role is impractical in some circumstances.

Three respondents raised operational aspects to assessing time commitments, while five respondents suggested that further guidance with examples of what arrangements are deemed acceptable by the Central Bank would be useful.

While one respondent acknowledged that firms should take a cautious approach where PCF role holders have more than one PCF role, the majority suggested that a more flexible and/or proportionate approach would be more beneficial, particularly for smaller or start-up firms.

Central Bank response

In relation to the assessment of time commitments, the Central Bank reaffirms that a case-by-case approach is appropriate, and that case-by-case assessments will be made based on the firm and the role in question. In this regard, the Guidance contains factors for consideration when considering time commitments e.g. other directorships, other CF/PCF roles, other mandates and the responsibilities attached to those mandates. While we note the requests for examples of acceptable arrangements, given the Guidance applies to a wide range of firms from small non-complex firms to large international firms, the Central Bank does not believe that it would be consistently beneficial, and may be misleading, to attempt to provide illustrative cases.

With regard to executive PCF roles, while the Central Bank expects that in many cases these are carried out on a full-time basis, we recognise that there are circumstances where this is not necessary or practical, and further that there will be circumstances where there are synergies between roles. In such circumstances, firms should be in a position to explain why a full-time role is not considered necessary. Applicants will nevertheless have to meet the required competency standards for each role and have sufficient time to properly carry out the role. In view of the feedback received, Sections 4.4 and 4.13 of the Guidance have been amended to remove the reference to the default expectation that executive PCF roles are carried out on a full-time basis.

Availability and accessibility of a PCF to the Central Bank

The draft Guidance reminds firms that the F&P Regulations do not limit (P)CFs to functions performed solely in the State.

Six respondents provided feedback in relation to this topic and were broadly supportive of its inclusion within the draft Guidance but requested additional guidance on the criteria that will be assessed by the Central Bank in relation to non-resident PCF holders. This was raised as a particular concern for regulated firms that operate internationally, given their need to attract pools of talent outside of the State.

One respondent requested further guidance regarding the types of PCF roles that may be performed from outside the State.

Central Bank response

Regulated firms are expected to demonstrate a sufficient degree of substantive presence in the State. Regulated firms must be able to demonstrate that effective strategic direction, decision-making, governance and risk management is sufficiently present within the State.

Firms must ensure that the Central Bank has access to key decision makers to ensure that the regulated firm is capable of being effectively supervised and has sufficient oversight of the firm's activities.

Requests for persons performing PCF roles to reside outside the State will be assessed on a case-by-case basis taking into consideration the nature, scale and complexity both of the firm and of the PCF role in question. In the overall assessment of fitness of a proposed PCF role-holder, the capacity of an individual to meet the Central Bank's expectations while residing outside the State will be taken into account, as will the residence of other PCF role holders in the firm. The updated Guidance has been amended to reflect this position.

3.4 Independence of Mind and Independence

The draft Guidance aims to provide greater clarity on the definition of independence, the assessment of independence of members of the board of a firm and the differentiation between:

- the notion of "independence of mind" applicable to all members of a firms' board; and
- the formal requirement of "being independent", required for certain members of the board.

Nine respondents provided feedback in relation to this topic. While there was broad support for the additional guidance, and its intention to empower board members to challenge and resist groupthink, six respondents raised concerns with regard to the potential for subjectivity in the manner in which firms assess and measure board members' adherence to "independence of mind". Therefore, respondents sought additional detail, such as the provision of methodologies, in the Guidance to ensure consistency in the approach taken.

Two respondents requested that the draft Guidance provide more detail for assessing the independence of directors, such as length of tenure as a criterion, along with instructions on how Independent Non-Executive Director (INED) appointments can be sourced.

Central Bank response

The draft Guidance with regard to "independence of mind" has been developed to reflect that the Central Bank expects independence of mind of board members to be taken into account by firms when assessing the F&P of board members. Firms should be able to satisfy themselves that board members possess the requisite attributes, such as the ability of members to make their own sound, objective and independent decisions and judgments when performing their functions and responsibilities.

In the normal course, save where there exists evidence to suggest otherwise, a firm can assume that a person sufficiently qualified and experienced to act as a board member will have sufficient independence of mind to carry out the role.

The Central Bank encourages firms to select suitable INEDs in a manner in which they see fit for their sector, whilst giving due consideration to the criteria set out in Section 4.34 of the Guidance.

3.5 Inherent Responsibilities

In order to ensure industry understanding of the F&P assessment process, and in line with the recommendation of the Enria Report that the Central Bank should provide clarity of supervisory expectations, CP160 proposed role summaries for certain PCFs (namely board members and heads of control functions) to the extent that these are utilised within the assessment process. In this regard, the draft Guidance outlines that "While the SEAR and the Inherent Responsibilities under the SEAR Regulations apply to certain sectors only, the Inherent Responsibilities define relevant roles in broad terms and as such the Central Bank considers that they are relevant for all such roles across all sectors". Nine respondents sought confirmation that the reference to the Inherent Responsibilities within the draft Guidance was not an extension of the SEAR to sectors that are not within scope of the regime.

Central Bank response

The Inherent Responsibilities set out in the SEAR Regulations define the core responsibilities that are intrinsic to a specific PCF role. Notwithstanding that the SEAR Regulations[11] apply only to a specific cohort of firms[12], it remains the Central Bank's view that such responsibilities are defined at a high-level, rather than on a sector-specific basis, and accordingly are relevant across all sectors. On this basis, the Inherent Responsibilities have been retained within the draft Guidance but for the avoidance of doubt, the reference to the SEAR has been removed.

[11] S.I. No. 147 of 2024

[12] Credit institutions (excluding credit unions); insurance undertakings (excluding reinsurance undertakings, captive (re)insurance undertakings and Insurance Special Purpose Vehicles; investment firms which underwrite on a firm commitment basis and/or deal on own account and/or are authorised to hold client assets; and incoming third country branches of these categories of firms.

3.6 Level of knowledge and experience

In view of the recommendation of the Enria Report that the Central Bank's F&P related material should include objective measures (such as specific qualifications, certifications or experience requirements) to reduce subjectivity in the assessment process, the Central Bank included, in the draft Guidance, additional clarity with regard to its expectations of the role of board members and heads of control functions.

Board members

The majority of respondents (15) provided feedback on the Central Bank's expectations in relation to board members, with varying views expressed. In terms of the specified level of experience, there was support from three respondents for the clarity provided and the alignment with existing benchmarks and best practice. However, while one respondent considered that the minimum years of experience were too low, the remaining respondents (11) considered the criteria as overly restrictive. Specifically, such respondents called for broader definitions of the types of knowledge and experience considered appropriate, in particular to ensure and support diversity.

Central Bank response

While the objectivity of setting out a minimum number of years of experience has been retained, the draft Guidance has been amended to allow for greater flexibility in the types of knowledge and experience considered appropriate. Further, the Central Bank also reaffirms its view that there may be sectoral or firm specific circumstances where an individual does not hold the specified level of experience but may nevertheless be considered suitable for the role due to, for example, firm or role specific factors that should be taken into account. Accordingly, an individual who does not possess the level of experience set out may still be considered fit and proper where there is an appropriate justification.

Heads of control functions

Six respondents provided feedback in relation to the expectations set out in the context of the heads of control functions, with the focus predominantly on the roles of Head of Finance and Head of the Actuarial Function (HoAF).

Five respondents questioned the reference to the Head of Finance being a member of a recognised accountancy body, and specifically sought confirmation that an actuarial qualification is also appropriate for the role of Head of Finance.

Three respondents considered that the Central Bank's expectations in relation to the role of the HoAF were overly prescriptive.

Two respondents sought clarity regarding the interaction between the expectations regarding qualifications and the European Union fundamental freedoms where they allow for mutual recognition of equivalent qualifications between different jurisdictions e.g. where an individual is not a "qualified actuary" from the Irish or UK perspective.

Central Bank response

The draft Guidance has been amended to reflect the fact that it is the Central Bank's general expectation that the Head of Finance has an appropriate qualification, recognising that where an individual holds an actuarial qualification that qualification may suffice. The Central Bank has also taken the opportunity to clarify the level of knowledge and experience for a similar role in a credit union.

The Central Bank has consolidated all F&P related guidance into a single document, including the Central Bank's expectations for (re)insurance undertakings in relation to the role of the HoAF. Unlike other heads of control function roles, there are additional requirements for the experience of any person within the actuarial function to be demonstrable. Regulation 50(2) of S.I. 485 of 2015 (the Solvency II Regulations) provides that: "*The actuarial function shall be carried out by persons who have knowledge of actuarial and financial mathematics, commensurate with the nature, scale and complexity of the risks inherent in the business* *of the undertaking, and who are able to demonstrate their relevant experience with applicable professional and other standards.*"

Outlining the Central Bank's expectations in relation to the level of knowledge and demonstrable relevant experience sought from HoAF candidates is intended to assist firms when preparing for an IQ application/HoAF PCF interview with the Central Bank by being transparent as to the criteria against which candidates will be considered.

Given the responsibilities of the HoAF role, in the context of the tasks of the actuarial function and the Domestic Actuarial Regime and Related Governance Requirements under Solvency II[13], the expectation is that the role should be carried out by a qualified actuary. However, a non-qualified actuary can be considered for the role of HoAF in exceptional circumstances.

The Central Bank will consider applications for all roles with qualifications issued and/or professional membership of associations within or outside of Ireland. The Central Bank does not distinguish between applicants on the basis of qualifications obtained in different jurisdictions.

3.7 Collective Suitability, Diversity and Inclusion

The majority of respondents (14) provided feedback on this topic, indicating support for the increased focus on diversity and inclusion, with many recognising the importance of diversity at board level as being beneficial for a board's collective performance. Further, the enhanced emphasis in the draft Guidance on the collective suitability of the board was viewed positively by respondents.

Most of the respondents (10) expressed concern that the level of experience set out in the draft Guidance, particularly for PCF-2A (Non-Executive Director) and

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[13] Domestic Actuarial Regime and Related Governance Requirements under Solvency II

PCF-2B (Independent Non-Executive Director), was overly restrictive and limiting in the context of diversity.

Seven respondents sought guidance on the manner in which firms should evidence their diversity evaluation, collective suitability and board skill matrices.

Three respondents requested examples of what constitutes good practice in board composition for new market entrants, and firms of varying sizes.

Two respondents queried whether the references to diversity and inclusion in the draft Guidance were informed by the recent diversity and inclusion thematic review conducted by the Central Bank.

One respondent sought clarification of the manner in which the Central Bank will consider collective suitability in practice in its assessment of an individual applicant.

One respondent suggested that diversity expectations should be applied proportionately within a firm's wider organisation, rather than just the board.

Central Bank response

As set out in Section 3.6 of this Feedback Statement, the Guidance has been amended to allow for greater flexibility in the types of knowledge and experience considered appropriate for PCF-2A and PCF-2B.

Informed by our ongoing work, including a recent review by the Central Bank on the approaches by regulated firms to diversity and inclusion, the draft Guidance sets out the Central Bank's expectation with regard to diversity and collective suitability, and has been amended to provide clarity on the application of the requirement for a board skills matrix under Corporate Governance Requirements for certain firms.

In line with the recommendations of the Enria Report, the Guidance addresses collective suitability of the board setting out that the assessment of the initial and ongoing collective suitability of the board is the responsibility of the firm. The

Central Bank may also assess the collective suitability of the board as a whole for wider supervisory purposes.

The variety of circumstances and individual characteristics that go to collectively make up the management board of a firm does not allow the Central Bank to give particular examples for the benefit of all firms. How collective suitability and diversity can be improved in any given situation is highly dependent on cases of individual firms. The Central Bank will, in its ongoing supervision of firms, apply the principles and expectations set out in the Corporate Governance Requirements and in the Guidance in a flexible, proportionate and constructive way.

With regard to extending diversity expectations beyond board members, firms may promote diversity expectations, as they see fit, via internal organisational policies.

Section 4: Review of the PCF List

In CP160, the Central Bank proposed a two-stage approach to a review of the list of roles that have been designated by the Central Bank, in the F&P Regulations, as requiring pre-approval. Our proposed approach involved an initial targeted revision of the PCF list, to be followed by a substantive review to coincide with the three-year review of the SEAR in 2027. The rationale for the proposed initial re-structure of the PCF list was to simplify it through the removal of sector-specific categorisations.

Overall, respondents did not consider the clarity and simplification proposed under the phase one changes to be sufficiently beneficial to warrant their introduction. Many respondents indicated a preference for a consolidated, once-off revision to the PCF list to avoid the administrative burden of processing two sets of changes. Specifically, respondents queried whether the removal of the sector-specific categorisations would introduce the need for firms to conduct a mapping exercise to establish whether roles that apply in the other existing sectoral categories would also apply to individuals in their firms, thus increasing the roles across the industry requiring pre-approval.

Central Bank response

The Central Bank welcomes the feedback received from industry in relation to the proposed two-stage review of the PCF list. In particular, the Central Bank acknowledges the feedback regarding the proposed consolidation of the PCF list (involving the removal of the sector-specific categorises) and that this was not considered sufficiently beneficial to warrant introduction. We acknowledge the concerns expressed regarding the removal of the sector-specific categorisations leading to an increase the roles across the industry requiring pre-approval, but confirm that this was not the intention. On this basis, and taking into account the preference for a consolidated, once-off, revision to the PCF list, the Central Bank is not proposing to remove the sector specific categorisations and rather will undertake a substantive review to be concluded by 2027.

As set out in CP160, the Central Bank will commence a review of the designation of PCF roles and the process adopted for applying for Central Bank pre-approval, with a focus on the simplification and modernisation of the regulatory framework and particularly the importance of reducing regulatory burden on firms, taking into account the views and preferences of stakeholders. The Central Bank will consult on proposed changes in 2026, with the introduction of revisions being implemented mid-2027 to coincide with a review of the SEAR.

In the meantime, the Central Bank is progressing with other specific changes to the PCF list identified within CP160. These include the removal of two roles (namely, PCF-24 Head of Traded Markets and PCF-25 Head of International Primary Markets), and the addition of two new PCF roles highlighted in CP160 i.e. a Head of Safeguarding for payment institutions and electronic money institutions, and a Head of Safeguarding for crypto asset service providers. For clarity, the Central Bank confirms, that as set out in CP160, the separate PCF list will remain for credit unions.

The Central Bank will issue amending Regulations to reflect the above changes. With regard to the role of Head of Safeguarding, the Central Bank will apply its in-situ process for any individuals occupying such a role at the time the amended Regulations become applicable. New appointments to this role will be subject to the PCF approval process.

5. The Fitness and Probity section of the Central Bank Portal

While CP160 focused on the Guidance on the Standards of Fitness and Probity, seven respondents noted issues with the Central Bank portal, and specifically highlighted issues with using the system and the related guidance. Specifically, respondents identified issues in relation to accessing the portal and common errors that can arise during the application process. Six respondents requested clearer guidance on the various roles and responsibilities of portal users.

Three respondents suggested that the Central Bank could host an information session on the F&P portal, discussing common issues/errors and to provide a 'walk-through' of how to use it.

Central Bank response

The Central Bank published a 'Fitness and Probity Individual Questionnaire, Applications and PCF Roles Guidance' in June 2024 pertaining to the F&P section of the Central Bank portal. This guidance outlines the various user profiles, the responsibility and role of each user and the permissions they have. We will be further streamlining the guidance and will highlight key points, including clarification on user roles and responsibilities and their access.

The Central Bank will be hosting webinar sessions to enhance clarity and understanding of the PCF application process. These information sessions should provide portal users with a better understanding of how to use the system and how to avoid common errors. Details regarding these sessions will be advertised via the Central Bank's usual communication channels.

Conclusion

The Central Bank is fully committed to full and open engagement with our stakeholders. In a changing world, we recognise it is essential we are engaged with those who affect and are affected by our work, transparent in our decisions and policy-making, and open to new insights and diverse perspectives.

CP160 sought to elicit the views of stakeholders on the consolidation of and updates to the Central Bank's Guidance on the Standards of Fitness and Probity. We have also combined Fitness and Probity Standards and the Fitness and Probity Standards for Credit Unions.

We acknowledge that sustained focus is crucial to fully embedding the recommendations of the Enria Report, and we also recognise the important role active industry engagement in fostering transparency, clarity and mutual understanding will play in this regard.

In addition, the Central Bank continues to support the strategic objectives of simplification of the regulatory framework. We are therefore committed to a regular review of our F&P material to ensure it remains relevant and reflective of industry developments and emerging risks, and intend to engage stakeholders in all such reviews. Further, we intend hosting further industry stakeholder meetings on F&P, alongside ad hoc sectoral engagements as appropriate.

Appendix: revised Guidance on the Standards of Fitness and Probity

[located in a separate file]

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