Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

Behaviour and Culture of the Irish Retail Banks

July 2018

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1. Executive Summary

Cultural failings within the banking sector were a significant contributory factor in the financial crisis.[1] They were also a trigger for the Central Bank of Ireland's Tracker Mortgage Examination, which found that such failings, in addition to poor systems, weak internal controls and poor governance, caused detrimental and in some cases devastating impacts on consumers.

Stemming from the ongoing Examination, the Minister for Finance requested the Central Bank of Ireland ('the Central Bank') under section 6A of the Central Bank Act 1942 to prepare a report on the 'current cultures and behaviours and the associated risks in the retail banks today and the actions that may be taken to ensure that banks prioritise customer interests in the future'.

Accordingly, the Central Bank, in collaboration with our Dutch counterparts in De Nederlandsche Bank ('DNB'), has undertaken Behaviour and Culture Reviews at the five main Irish retail banks – AIB Group, Bank of Ireland Group, permanent tsb, Ulster Bank Ireland and KBC Bank Ireland.

The Behaviour and Culture Reviews focused primarily on the executive leadership team (referred to in this report as the executive committee), due to the importance of its members in driving effective cultures in which customer interests are adequately identified, discussed and taken into account.[2] More specifically, the reviews analysed:

- the leadership behaviour of the executive committee, including the drivers of this behaviour in terms of group dynamics and mindset; and
- the interplay between the executive committee and relevant internal stakeholders in the context of strategic decision-making.

Using a combined approach including elements from the Central Bank's Consumer Protection Risk Assessment model and DNB's behaviour and culture methodology, the reviews produced detailed insights into behavioural and structural patterns in leadership, decision-making, communication, group dynamics and mindset that affect the way consumer needs are considered and taken into account by each of the five banks.

Findings that relate to the individual banks have been provided to these institutions, and the banks will be required to deliver action plans to address the risks identified. The Central Bank is limited by law in the amount of information we can publicly disclose about any individual financial services provider that we regulate. Accordingly, this report describes general patterns on an aggregated level relevant to the manner in which the banks take the consumer interest into account.

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[1] Commission of Investigation into the Banking Sector in Ireland (2011). 'Misjudging Risk: Causes of the Systemic Banking Crisis in Ireland'.

[2] The body of executives below the board to which the board delegates the day-to-day running of the business, also referred to as the management body.

Behaviour and Culture Findings

The reviews identified that all banks have recently taken steps to reinforce the consideration of the consumer interest in strategy, decision-making and procedures. However, the reviews also demonstrated that some banks are more advanced in their transformation towards a consumer-focused organisational culture than others, and all have a distance to travel. More specifically, we found that two important prerequisites for successful transformation were not met in all instances:

- **Collective understanding of what consumer focus actually means and what it requires in terms of behaviours**: This collective understanding was not present in each case. It is imperative that all banks develop this shared ‘consumer compass’ without delay.
- **Embedding consumer focus in structures, processes and systems:** In other instances, banks are well under way in integrating the consumer focus in organisational structures and processes. Yet even these banks still have a considerable distance to travel to fully embed a consumer-focused organisational culture.

Furthermore, the reviews revealed patterns in leadership, strategic decision-making as well as mindset that may jeopardise the successful transformation towards a consumer-focused culture:

- Several executive committees display ‘firefighting behaviour’, focussing on urgent and short-term issues. This may be a **remnant of a crisis-era mindset,** which persists because of the necessity to solve a multitude of legacy and regulatory issues and is amplified by external pressures from the media and the political system, which are to be expected given banks’ role in the crisis. This affects executives’ capacity to design a thorough and well-considered long-term transformation process and decreases the time left to undertake the kind of proactive engagement with staff that is necessary to promote new behaviours.
- The reviews raised concerns with respect to leadership styles. In some banks, remnants of the crisis-era mindset result in **occasional reversal to directive – or ‘command and control’ - leadership styles** cultivated during the crisis. Different circumstances require different leadership styles, and an appropriate balance will always be required. However, banks undertaking comprehensive organisational transformations towards balanced decision-making should place an emphasis on inclusive and collaborative leadership styles, aimed at integrating as many people and perspectives as possible.
- A related recurring theme is the need to **increase empowerment and decision-making ability of senior staff**, in order to decrease executives’ decision burden and enable the organisation to execute the transformation. The reviews observed that many senior managers continue to seek executive guidance and decisions on many operational matters. This leads to congestion of executive decision agendas to the detriment of long-term transformation efforts.
- Finally, the reviews produced **concerns around over-optimism** regarding the successful transition to a consumer-focused culture. Many banks use the crisis as a comparative reference point against which the progress of organisational development is measured. They feel that if they could come through the crisis, they can successfully complete the transformation. This may lead to banks underestimating the magnitude of the task ahead.

As a result, and while efforts have been made, it is clear that consumer-focused cultures in the banks remain under-developed, and that banks need to overcome obstructive patterns of behaviour in order to transition to maturity.

The Central Bank will issue a Risk Mitigation Programme to each of the banks requiring them to submit a detailed action plan to address the issues identified and to ensure the risks are mitigated. Each bank will be required to address their individual issues appropriately. Supervisors will assess the actions planned by the banks and engage to assess the progress being made.

Diversity and Inclusion Findings

In parallel with the Behaviour and Culture Reviews, the Central Bank conducted Diversity and Inclusion Assessments of the five banks, given the importance of diversity and inclusion to fostering effective culture. Similar to the Behaviour and Culture Reviews, we found the banks **have much more work to do in terms of ensuring their organisations are sufficiently diverse and inclusive**, particularly at senior level, to prevent group-think, guard against over-confidence, and promote internal challenge. Again, the five banks will be required to deliver action plans that address the issues raised.

Next steps

While effective culture in the first instance is a matter for each individual organisation to define and embed, the Central Bank as regulator works to monitor, assess and influence culture within firms to guard against risk and drive better outcomes for consumers. In line with our mission of 'Safeguarding Stability, Protecting Consumers', and working as part of the European regulatory system, we continually evolve our system of supervision for the regulated financial services sector as a whole. Therefore, while the findings of this report will inform our ongoing supervisory work in relation to the five banks, we are also setting out the reforms that regulated financial services providers can expect in terms of our supervisory and regulatory framework. These reforms stem from the Central Bank's increased focus on cultural issues across the wider financial services sector in recent years and were in development prior to the Behaviour and Culture Reviews. The reforms are in line with Financial Stability Board ('FSB') recommendations and will support effective cultural change by providing banks and other regulated financial services providers with clarity as to the basic values on which effective culture is built.

We propose the introduction of a new Individual Accountability Framework, applying to banks and other regulated financial services providers, which would go significantly beyond the current requirements for staff to be fit and proper, set Conduct Standards for staff, and ensure clearer lines of accountability within firms.

We will conduct more frequent, targeted supervision of those firms that pose the greatest potential harm to consumers should conduct issues materialise, including robust challenge of boards and executive management.

In the Central Bank's view, effective organisational culture builds on shared purpose and standards such as professionalism, honesty, and accountability to deliver fair outcomes that have the interests of consumers at heart. The Central Bank expects to see such culture and standards in all the firms we regulate.

The Central Bank would like to thank our colleagues in De Nederlandsche Bank for working in partnership with us to undertake the Behaviour and Culture Reviews central to this report.

2. Summary of Requirements, Actions and Recommendations

The following summary sets out what the banks will be required to do in response to the findings of both the Behaviour and Culture Reviews and the Diversity and Inclusion Assessments - and what they can expect in terms of increased Central Bank regulation (rules and standards) and supervision (monitoring of compliance with those rules and standards).

These requirements, actions and recommendations are detailed further in Sections 5, 6, 7 and 8.

- **Behaviour and Culture Reviews:** The banks will each be issued a Risk Mitigation Programme, requiring them to devise action plans in response to the institution-specific findings of the Behaviour and Culture Reviews. This approach is consistent with the Central Bank's view that firms need to take responsibility for their own cultures in the first instance. Each bank will be required to address their individual issues appropriately. Supervisors will assess the actions planned by the banks and engage to assess the progress being made.

- **Diversity and Inclusion Assessments:** The banks will be required to respond to the Diversity and Inclusion findings in this report by developing and providing to the Central Bank a separate action plan to foster increased diversity and inclusion which:
  - includes clear expectations, stretch measures and implementation targets;
  - considers a range of measures of diversity and considers what is required to identify and mitigate relevant risk factors;
  - is subject to annual review, with effectiveness measured against suitably ambitious outcomes and targets; and
  - enhances the approach to resourcing, succession planning and recruitment.

- **Individual Accountability Framework:** The Central Bank recommends that it be given the power under legislation to introduce an enhanced Individual Accountability Framework, which could apply to banks and other regulated financial services providers, and include:
  - Conduct Standards which set out the standard of behaviour the Central Bank expects of regulated financial services providers and the individuals working within them.
  - A Senior Executive Accountability Regime which ensures clearer accountability by placing obligations on firms and senior individuals within them to set out clearly where responsibility and decision-making lies for their business;

- Enhancements to the current Fitness and Probity ('F&P') Regime to strengthen the onus on firms to proactively assess individuals in controlled functions on an ongoing basis, and to surmount some current limitations of the F&P investigative function; and
- A unified enforcement process, which would apply to all contraventions by firms or individuals of financial services legislation. To ensure the credibility of the Individual Accountability Framework, the hurdle of 'participation' should be removed from the enforcement process to ensure that the Central Bank can pursue individuals directly for their misconduct rather than only where they have participated in a firm's wrongdoing.

- **Enhanced supervision of conduct and culture risk in the highest-impact firms**: The Central Bank has evolved its supervisory approach in recent years to strengthen its focus on conduct and cultural issues, and this approach will be further enhanced in the period ahead. Specifically, this will mean more frequent targeted assessments of the highest-impact firms from a consumer protection perspective – i.e. those firms which pose the greatest risk to consumers should conduct issues materialise.

3. Introduction

The mission of the Central Bank of Ireland is to Safeguard Stability, Protect Consumers. Our vision is a trusted financial system supporting the wider economy where firms and individuals adhere to a culture of fairness and high standards. This vision is backed up by comprehensive legislation, assertive and risk-based supervision, a credible threat of enforcement and powers of redress when consumers have suffered detriment.

In tandem with regulators globally, the Central Bank's immediate focus in the wake of the financial crisis was on strengthening the solvency and stability of the banking sector and enhancing protections for consumers. The focus then widened to consider cultural issues, in recognition of the extent to which culture within firms contributed to the crisis.

Global initiatives included strengthening both the prudential framework – including requirements around solvency, quality of capital, loss absorption capacity, liquidity – and the recovery and resolution regimes. At EU level, banking reforms saw greater supervisory convergence and the establishment of the Single Supervisory Mechanism ('SSM') and the Single Resolution Board ('SRB').

Domestically, the Central Bank developed a more intrusive risk-based framework for supervision and imposed, among other things, an F&P Regime and Corporate Governance Requirements.[3] Such reforms were central in seeking to ensure better-managed, financially resilient institutions run by fit and proper individuals.

These were accompanied, at international and national level, by a series of changes to strengthen the consumer protection framework.

European legislation improved protections for consumers in areas such as mortgage credit, payment services, insurance distribution and investments. The Central Bank played an active role in the work of the three European Supervisory Authorities – the European Banking Authority ('EBA'), European Securities and Markets Authority ('ESMA') and European Insurance and Occupational Pensions Authority ('EIOPA') - as well as international bodies such as FinCoNet, the international organisation of supervisory authorities for financial consumer protection.

In particular, the Central Bank contributed to the development by the EBA of detailed guidelines on product oversight and governance arrangements for retail banking products including mortgages, personal loans, deposits, payment accounts, payment services, and electronic money. The guidelines provide a framework for robust and responsible product

[3] The Fitness and Probity Regime applies to persons in key positions within regulated financial services providers (referred to in the legislation as controlled functions ('CFs') and pre-approval controlled functions ('PCFs')). The core function of the Fitness and Probity Regime is to ensure that persons in senior positions are competent and capable, honest, ethical and of integrity and financially sound. All proposed appointments to PCF roles on or after 1 December 2011 require the prior written approval of the Central Bank. The Individual Accountability Framework recommended in this report would apply to a wider range of individuals and provide for a more varied and adaptive toolkit by which to take action against individuals.

design and distribution by manufacturers and distributors.[4] The EBA also published guidelines on sound remuneration policies, applying to credit institutions and investment firms covered by the Capital Requirements Directive IV ('CRD IV').[5] The guidelines set out, *inter alia*, that an institution's remuneration policy for all staff should be consistent with the objectives of the institution's business and risk strategy, corporate culture and values, and long-term interests of the institution, and should not encourage excessive risk taking.

Domestically, among other measures, the Central Bank strengthened protections for consumers generally by enhancing the statutory Consumer Protection Code, and for mortgage-holders specifically by introducing the Code of Conduct on Mortgage Arrears ('CCMA') in 2009 and updating it in later years. The Central Bank also introduced enhanced conduct of business requirements with which regulated financial services providers must comply in their dealings with Small and Medium Enterprise (SME) borrowers through the SME Lending Code and subsequent SME Lending Regulations.

Minimum competency requirements, which established minimum professional standards for regulated financial services providers - with particular emphasis on areas dealing with consumers - were updated in 2011 and 2017. Additionally, in 2014, the Central Bank published Guidelines on Variable Remuneration Arrangements for Sales Staff, seeking to ensure firms' arrangements focused on encouraging the right culture and behaviour in sales staff, while actively discouraging poor practices.

These changes recognised that the absence of a consumer-focused culture presented the greatest risk to achieving long-term, sustainable and positive outcomes for consumers.

'It is important to note that culture is about more than behaviour. A partial list includes prioritising the best interests of customers, offering responsible products, reviewing board effectiveness, committing to diversity and inclusion and having robust internal audit and risk management procedures. A defining cultural test is how a firm deals with adverse situations: does it make sure that the best interests of customers are protected, even if this damages short-term profitability?'

Philip R. Lane
Governor, Central Bank of Ireland[6]

However, the Central Bank shared the view of other regulators that culture could not be changed simply by introducing rules alone – there had to be a clear onus on senior management of firms to take responsibility for and drive cultural change from within. Accordingly, how best to achieve this became an increasing area of focus, both for the Central Bank and regulators globally.

Recognising the fundamental importance of risk management in achieving the necessary shift in culture, the Central Bank announced the Consumer Protection

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[4] European Banking Authority (2015). 'Guidelines on product oversight and governance arrangements for retail banking products' - www.eba.europa.eu/documents/10180/1141044/EBA-GL-2015-18+Guidelines+on+product+oversight+and+governance.pdf)
[5] European Banking Authority (2016). 'Guidelines on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013'. www.eba.europa.eu/documents/10180/1314839/EBA-GL-2015-22+Guidelines+on+Sound+Remuneration+Policies_EN.pdf
[6] Opening statement to Joint Oireachtas Committee on Finance, Public Expenditure and Reform, and Taoiseach (January 2018). www.centralbank.ie/news/article/introductory-statement-by-philip-r.-lane-at-the-joint-committee-on-finance-public-expenditure-and-reform-and-taoiseach

Risk Assessment ('CPRA') Model – to assist supervisors in assessing how risks to consumers are being identified and managed within firms.

In terms of diversity and inclusion, the Central Bank has placed a specific focus on ensuring diversity as part of the management bodies of institutions, in recognition of the need for diversity of views and challenge at senior level.

In 2017, the Central Bank restructured its financial regulation function into two distinct pillars: one dedicated to the regulation of financial conduct and the other to prudential regulation. Culture cuts across both, given that behaviours can affect any or all areas of a firm. The restructuring, in addition to the extensive changes at national, European and global level since the crisis, have strengthened the Central Bank's approach to supervision of regulated financial services providers, including, increasingly, the culture of those providers.[7]

3.1 Why this report

Since the commencement of the Tracker Mortgage Examination (the 'Examination'), the Central Bank has published regular updates, including two progress reports to the Minister for Finance and Public Expenditure and Reform (the 'Minister'), in December 2017 and April 2018.[8] These updates make clear the extent to which sustained Central Bank intervention was required to ensure that all affected customers were included for redress and compensation, and further, to address material deficiencies in the redress and compensation packages initially proposed by certain lenders.

In light of the findings of the Examination, in October 2017, the Minister mandated the Central Bank, pursuant to Section 6A of the Central Bank Act 1942, to report on the:

- current cultures and behaviours in the retail banks today;
- risks associated with these cultures and behaviours; and
- actions that may be taken to ensure that lenders prioritise customer interests in the future.

Accordingly, the Central Bank has undertaken a review of current behaviour and culture at each of the five main banks:

- AIB Group (Allied Irish Banks, plc, AIB Mortgage Bank, EBS Limited, EBS Mortgage Bank and Haven Mortgages Limited);
- Bank of Ireland Group (The Governor and Company of the Bank of Ireland and Bank of Ireland Mortgage Bank);
- permanent tsb plc;
- Ulster Bank Ireland DAC; and
- KBC Bank Ireland plc.

Additionally, the Central Bank conducted Diversity and Inclusion Assessments of the same banks, given the importance of diversity and inclusion in fostering effective culture.

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[7] For a comprehensive summary of these changes, see Appendix 1.
[8] All updates and progress reports can be seen here: www.centralbank.ie/consumer-hub/tracker-mortgage-examination

Before turning to the findings from the reviews and assessments, it is first useful to set out some components of effective culture in the financial services sector and why it is so important – for consumers, businesses, shareholders, the wider economy, and banks themselves.

3.2 Why culture is important

In the Central Bank's view, effective organisational culture builds on shared purpose and standards such as professionalism, honesty, integrity and accountability to deliver fair outcomes that have the interests of consumers at heart.

Effective culture is essential because of the central role that the financial sector plays in the modern economy, supporting growth, employment and future prosperity. It is also essential to the sustainability of financial services firms themselves, with growing evidence that the lack of a consumer-focused culture in firms erodes competitiveness and damages their long-term prospects.[9]

'The goal of the financial sector must be not only to maximise the wealth of its shareholders, but to enrich society by supporting economic activity and creating value and jobs – to ultimately improve the well-being of people'

Christine Lagarde,
Managing Director, IMF[10]

Internationally, poor, lacking or corrosive organisational culture in financial services 'is widely accepted as a key root cause of the major conduct failings that have occurred within the industry in recent history'.[11] These cultural failings have had severe consequences, both for customers and shareholders and also, in the case of the crisis, for the stability of the financial system as a whole. These failings, which led to a collapse in trust in the banking system, have been well documented, as have the detrimental, and in many cases devastating, effects on customers. Additionally, there were 'opportunity lost' costs to the economy. Since the financial crisis, banks globally are estimated to have incurred fines and penalties of more than $320 billion (c.€270 billion).[12] In a July 2017 letter, the chair of the FSB, Mark Carney, noted that 'the resources paid in fines, had they been retained as capital, could have supported up to $5 trillion (c.€4.2 trillion) in lending to households and businesses'.[13]

Failings in the Irish banking sector are part of this story – tracker mortgage failings being the latest example – with customers expressing a clear lack of trust in the banks as a result. According to the 2018 Edelman Trust Barometer, of 28 markets surveyed, Ireland was the least trusting of its financial services sector.[14] The damage is not just reputational: the banks are counting the cost of their failures. The Tracker Mortgage Examination alone has resulted in Irish banks paying more than €557 million by mid-June 2018 in redress and compensation to affected customers. The total costs to the institutions involved, when

[9] De Nederlandsche Bank (2015). 'Supervision of Behaviour and Culture: Foundations, Practice and Future Developments'.
[10] Speech by C. Lagarde, Managing Director, International Monetary Fund (2015). 'The Role of Personal Accountability in Reforming Culture and Behaviour in the Financial Services Industry'
[11] Australian Prudential Regulation Authority (2018). 'Prudential Inquiry into the Commonwealth Bank of Australia'.
[12] Financial Stability Board (2018). 'Strengthening Governance Frameworks to Mitigate Misconduct Risks: A Toolkit for Firms and Supervisors'.
[13] Financial Stability Board (2017). 'Chair's letter to G20 Leaders – Building a Safer, Simpler and Fairer Financial System'.
[14] cms.edelman.com/sites/default/files/2018-03/Edelman_Trust_Barometer_Financial_Services_2018.pdf

internal costs are included, are now c.€1 billion. In addition, enforcement proceedings are under way in respect of six banks, including the five that are the subject of this report.[15]

For the reasons already outlined, restoring trust in the global banking system is considered a public and economic imperative.[16] This is also true of the Irish banking system. If this is to be achieved, effective culture will be central to the task. In that regard, it is critical for banks to understand the distinction between seeking people's trust and actually establishing trustworthiness through their culture.

If banks wish to restore trust in their organisations, they must earn it – this cannot be achieved solely through rules and processes, but also in the way they are interpreted and practised – i.e., 'the way things are done around here'.[17] It is critical, in that respect, for banks to take ownership of their culture and to embed effective culture in everything that they do.

3.3 What effective culture looks like

Culture is a matter for each individual bank in the first instance, and no two cultures will be precisely the same. However, organisations that have an effective culture share a commitment to high standards and values with consumers at the heart of their decision-making. This means consumers can be confident that banks are acting in their best interests throughout their entire relationship with the bank.

It is globally recognised that regulators cannot prescribe culture for individual firms. However, regulators monitor, assess and influence culture within firms in order to guard against conduct risk and drive better outcomes for consumers. In that respect, a central expectation of regulated financial services providers is that they understand the risks faced by their consumers and develop and embed comprehensive consumer risk management frameworks to manage these risks effectively.

'A firm's culture emerges in large part from inputs that are its responsibility. It is for firms to ensure that their desired culture is consistent with appropriate conduct outcomes, to identify the drivers of behaviour within the firm and control the risks that these drivers create'

Andrew Bailey
Chief Executive, FCA[18]

Conduct risk can arise from inappropriate, unethical or unlawful behaviour on the part of a firm or its employees. It can be deliberate or inadvertent, and can stem from poor culture, behaviours and practices within the firm. This is why culture within firms is so important, because it drives behaviours and, ultimately, outcomes. The culture of an organisation drives how management and staff act on a daily basis, and is therefore a matter for the firm in the first instance.

Culture should be driven by institutional standards such as fairness, respect, integrity and honesty, which are promoted from the top down, echoed from the bottom up and visible throughout the organisation. Every member of an organisation should be clear on what is expected of them, and the consequences of deviating from such standards. Firms should

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[15] Enforcement proceedings are under way against AIB, BOI, ptsb, Ulster Bank, KBC and EBS.
[16] Group of Thirty (2015). 'Banking Conduct and Culture: A Call for Sustained and Comprehensive Reform'.
[17] Australian Prudential Regulation Authority (2018). 'Prudential Inquiry into the Commonwealth Bank of Australia'.
[18] Speech by Andrew Bailey, Chief Executive of the FCA, at the Hong Kong Monetary Authority Annual Conference for Independent Non-Executive Directors (2017). 'Culture in financial institutions: it's everywhere and nowhere.'

ensure the standards to which they aspire are understood and reflected in every business area, from corporate governance structures to individual accountability; from strategy-setting to product development; from risk management to people management (including recruitment, training, and incentivisation); and from internal challenge to how whistleblowers are treated. There should be a dedicated focus at board and management level to ensure a truly diverse and inclusive organisation, from the top down, to mitigate risks such as group-think, over-confidence and lack of internal challenge, and to improve the quality of decision-making.

'The crisis has shown that one of its causes was not so much that governance structures were inadequate, but that board and management behaviour within those structures was below standard. After all, it is the people who determine a company's performance'

DNB[19]

Management and staff should be asking themselves questions derived from their institutional principles, such as: Is the tone from the top signalling the right values to staff? Are there clear lines of accountability within the firm? Are consumers' interests being taken into account when decisions are made in the boardroom? Are the right products being sold to the right people? Are staff appropriately incentivised? Have ambitious diversity and inclusion targets been set, especially for board and executive committee level, and is performance against those targets being measured?

In all aspects of culture, compliance with rules is not enough. For culture to be effective, it must adhere to the spirit as well as the letter of regulation.[20]

3.4 Where next

The Central Bank has consistently placed a focus on culture domestically as well as working with other international supervisory bodies to influence and shape regulatory developments in this area at European and global level.

However, more is needed, nationally and internationally, to increase the focus on culture and behaviours within regulated financial services providers. Accordingly, the Central Bank's supervisory and regulatory framework, which has evolved significantly since the crisis, will be further strengthened, building on our work to date and taking into account the findings of this report, as per sections 2, 7 and 8.

It is important to stress that no system of regulation can prevent all conduct risk, or indeed other risks, before they materialise. It is inevitable that consumer protection issues will arise that could not have reasonably been foreseen or may be the result of fraud, criminal conduct or human error. The Central Bank works to ensure that our system of supervision is kept under continuous review; that consumers are sold suitable products and services; that where systemic issues arise, we take corrective action swiftly to ensure detriment to consumers is redressed; and that enforcement actions are taken against firms and individuals where appropriate.

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[19] De Nederlandsche Bank (2015). 'Supervision of Behaviour and Culture: Foundations, Practice and Future Developments'.
[20] See speech by D. Rowland, Director General, Financial Conduct, Central Bank (March 2018). www.centralbank.ie/news/article/derville-rowland-speech-prague

4. Methodology for Behaviour and Culture Reviews

The Behaviour and Culture Reviews ('the reviews') employed a qualitative research approach, which involved collecting data and observations from a variety of sources, considering the data and observations in a holistic manner and applying expert judgement to them.

Due to this element of judgment, the process involved a significant amount of challenge, both internally among team members and from subject matter experts, to ensure the rigour of the approach.

The reviews were not an assessment of the behaviours and cultures from the top to the bottom of the banks; rather they looked at a specific layer in the organisation, the executive leadership group (executive committee). By concentrating on the executive committee, the reviews targeted the key decision-makers in each firm who set the tone from the top, which is a fundamental driver of the behaviour and culture in an organisation.

4.1 Detailed methodology

The Framework

The reviews comprised of both on-site and off-site assessments and utilised elements of DNB's Behaviour and Culture Framework and the Central Bank's CPRA Model (see Box 8.1). The five elements of the DNB Framework utilised were **Decision-Making, Leadership, Communication, Mindset and Group Dynamics** (See Appendix 3 for further details).[21] Certain elements of the CPRA Model were then integrated into the DNB framework to create a tailored hybrid framework for the assessment of behaviour and culture through a consumer protection lens. These elements were **Leadership and Tone from the Top; Speak Up, Challenge and Escalation; and Performance Management, Reward and Incentives**.

Tools and Methodology Used by the Review Team

The review team was diverse in composition with conduct, prudential and governance risk experts and behavioural psychologists to ensure a broad assessment was undertaken. The approach taken by the review team was consistent across all institutions, and employed several tools. The depth and breadth of the work was extensive. An outline of the key tools utilised through the review process is provided here:

[21] De Nederlandsche Bank (2015). 'Supervision of Behaviour and Culture: Foundations, Practice and Future Developments'.

Desk Based Research

Over a two-month period, the review team undertook an estimated 1,400 hours of desk based review of a significant volume of information such as business strategies, organisational structures, role profiles and staff surveys. An important part of the desk based review related to decision tracking, whereby a sample of approximately two decisions per bank were selected, which met the below criteria:

i) Recent;

ii) Consumer related – decisions/products that required balancing consumer interests with commercial interest/profit generation; and

iii) Complex - affecting several parts/functions of the bank.

The decisions were used as a means to acquire greater insight into the processes governing strategic decision-making (an assessment of the appropriateness of the decisions made was not undertaken) and facilitated the accumulation of definitive examples of actual behaviours.

Surveys

Over 500 surveys were carried out – approximately 100 per bank - with 6,500 answers to questions analysed. The surveys were used by the review team to determine the perceptions held by bank staff in relation to executive committee leadership and dynamics. Identical surveys were utilised across all institutions and were required to be completed by the team beneath the executive committee ('senior management'), and any other person identified as relevant (for instance, persons key to the decisions selected for tracking as described above).

Self-Assessment Questionnaires

In total 75 self-assessment questionnaires were completed by those later interviewed by the review team. In all 1,575 answers were assessed. The self-assessment consisted of open-ended questions, seeking respondents' views and personal experiences of the leadership of the executive committee and the interaction between the executive committee and relevant internal stakeholders. The questionnaire was developed such that a number of questions were asked under each of the headings included in the review framework, i.e. strategic decision-making, leadership, communication, mindset and group dynamics.

The issuance of questionnaires gave the interviewees an awareness of the topics to be covered in the interview and allowed the review team to be more targeted in their questioning.

Interviews

Interviews were held with staff in each bank. Interviewees consisted primarily of members of the executive committee, but interviews were also conducted with members of the board, second line of defence staff (risk and compliance functions) in addition to a selection of staff considered best placed to provide insights into particular decisions chosen for in-depth review. Approximately 15 interviews of circa 1.5 hours' duration each were conducted at every bank. In total 75 interviews were undertaken, which amounted to 112 hours or 14 days of interviews, each resulting in transcripts of up to 45 pages which were analysed by the team.

Observation

The review team observed at least two meetings in each bank, one of these being an executive committee meeting. In total 10 executive meetings were observed, amounting to over 30 hours of meetings. These observations were conducted in order to gain another insight into the group dynamics, communication and decision-making at play in these fora.

Output

The content of this report comprises an aggregated and anonymised overview of the output from the reviews, meaning that while all aspects of the hybrid Central Bank-DNB model were examined, the findings presented focus on the key risks and concerns identified.

Following the conclusion of the reviews, the review team engaged in challenging dialogue with the executive committee members to relay the outcomes of the reviews, giving an overview of the behavioural findings and the risks associated with these.

5. Behaviour and Culture Reviews - Overview of Findings

Banks are required under the Central Bank's Consumer Protection Code to act in their customers' best interests. The reviews of the five banks were undertaken to identify behavioural patterns that affect the way consumer interests are considered and protected.

While the reviews found that all five banks are working to embed a consumer-focused organisational culture - i.e. a culture in which consumer needs are adequately identified, discussed and taken into account - some are more advanced than others. Furthermore, the reviews revealed behavioural patterns in leadership, strategic decision-making and mindset that may jeopardise the successful transition to a consumer-focused culture.

5.1 The current behaviours and culture of the in-scope banks

As a result, and while efforts have been made, it is clear that consumer-focused cultures in the banks remain under-developed, and that banks need to overcome obstructive patterns of behaviour in order to transition to maturity.

As documented elsewhere in this report, if the banks fail to address this, they ultimately risk eroding their competitiveness and long-term prospects. Accordingly, it is in both consumers' interests and their own interests for banks to address comprehensively the findings of these reviews and in doing so, continue working to embed a truly consumer-focused culture within their organisations.

The reviews identified risks from the following behavioural patterns:

1. **Consumer-focused culture not fully embedded and demonstrated in banks** – While the banks are working to embed the consumer perspective in all decisions, some are more advanced than others, and all have significant distances to travel.
2. **Executives continue to operate in a 'firefighting' mode remnant of a crisis-era mindset** - Contextual pressures have resulted in organisational mindsets which continue to be focused on short-term and legacy matters over consumer interests.
3. **Occasional reversal to directive leadership styles** – The banks are struggling to transition from the crisis mindset and adopt more appropriate leadership styles as they pursue a return to a steady state.
4. **Concerns around over-optimism** – Emerging from the crisis is seen by banks as a significant achievement, but drives over-optimism, meaning banks may underestimate the work required to deliver on the change agenda.
5. **Lack of empowerment and decision-making below executive committee level** – The banks are struggling to find balance in terms of accountability in decision-making and empowering their senior staff.

More detail is set out below. This section features anonymous sample quotes taken from the interviews conducted within the banks.

Background

These reviews were conducted from the consumer perspective, by assessing the manner in which consumers' interests are taken into account throughout their entire relationship with the banks. The reviews were conducted primarily by focusing on the executive committee of each bank due to this body's prominence in determining the strategic course, performance and culture of the organisation.

The reviews analysed the following:

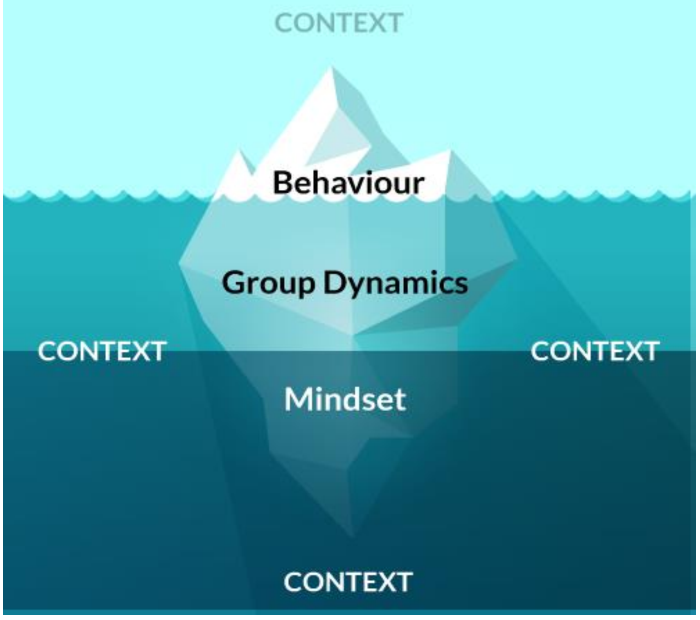
- the leadership behaviour of the executive committee, including the drivers of this behaviour in terms of group dynamics and mindset; and
- the interplay between the executive committee and relevant internal stakeholders in the context of strategic decision-making.

It is important to note that the outcomes of these reviews are not normative; that is, they do not prescribe what cultures the banks should have. The focus is on identifying behavioural patterns that may harm the manner in which consumers' interests are considered and taken into account. We recognise that all cultures have their own virtues and their own risks and importantly that banks are responsible for their own cultures and ensuring they operate effective cultures. It should also be noted that these reviews are not comprehensive assessments of the prevailing cultures in each of the banks, which would require considerably more time to assess. As such, they represent a snapshot at a point in time with a particular focus on one layer of the organisation, which is dealing with the significantly enhanced regulatory requirements put in place in the period since the crisis.

Based on the work of organisational development expert Edgar Schein, the reviews examined three layers of organisational culture. The outcome of the reviews is conceptualised in figure 1 – the 'Iceberg Model' - comprising: [22]

- Visible actions such as **behaviours observed** in decision-making, leadership and communications;
- The underlying influencing elements of **group dynamics and mindset**; and
- The **external context** in which banks are operating such as the social, economic, political and regulatory environments which exert influence on an organisation's behaviour and thereby helps us to understand why certain behavioural patterns may have manifested the way they did.

Figure 1



[22] Schein, E.H. (1984). 'Coming to a New Awareness of Organisational Culture. *Sloan Management Review*, 25 (2), 3 -17'.

5.2 Detailed findings

Each of the banks was assessed separately, using the same in-depth methodology outlined in section 4.1. This report identifies on an aggregate and anonymised basis the behavioural themes which were common in most of the banks. While the reviews produced several positive behavioural patterns, they also identified a considerable number of behavioural patterns that cause significant concerns. These behavioural patterns pose risks with respect to consumer-focused culture and will remain if they are not addressed structurally, consistently and credibly by the banks.

Positive behavioural patterns

In general, the reviews revealed that the banks have recently taken actions to better integrate the consumer perspective. Evidence of these actions is seen, firstly, in board decision-making and, secondly, in organisational structures and processes. All banks are currently undertaking ambitious transformation efforts aimed at embedding the consumer focus.

'Compare and contrast us with the best customer-centric companies in the world, and we have a while to go yet; but we recognise that'

These efforts range from integrating the consumers' interests into each bank's strategy and organisational values, enhancing decision-making processes at all levels of the bank, increasing effective cooperation between organisational units and restructuring the organisational design, processes and systems. One bank noted that, in relation to consumers, the focus is now on '*what is going to be the right answer for consumers in the short, medium and long term*'. The banks understand that these efforts to better integrate the consumer perspective will not bear fruit if behaviours and culture do not change in tandem.

The reviews identified leadership styles that are adapting to the need for a more collaborative approach and executives who display a stronger sense of responsibility. Communication is becoming more open and transparent. Efforts are being made to build relationships within executive committees, which are becoming a more diverse group in terms of age, experience, and background, and whose members show more willingness to challenge and collaborate.

These are all prerequisites for reinforcing the consumer perspective in strategic decision-making processes.

Areas of concern and risks identified

As outlined earlier in this section, the reviews also revealed many behavioural patterns that are of concern and cause risk. These are now taken in turn:

5.2.1 Consumer-focused culture not fully embedded and demonstrated in banks

While the banks are working to embed the consumer perspective in all decisions, some are more advanced than others, and all have significant distances to travel

Banks need a strong capital base and healthy financial performance to safeguard their existence; however, without serving consumers' interests, they risk losing their legitimacy and trust, thereby eroding their competitiveness and long-term prospects. The Central Bank expects banks to act in their customers' best interests in tandem with fulfilling their prudential obligations. Over the past number of years, several developments in the banks' external environment contributed to the prioritisation of their short-term financial interests at the expense of consideration of consumers' interests. The fact that banks are currently reinforcing the consideration of consumer interests through organisational processes and culture is an implicit acknowledgement of this imbalance.

The reviews identified that all banks have undertaken committed actions to reinforce the consideration of the consumer interest in the course of decision-making. This is reflected in bank strategies, decision-making processes and specific interventions to integrate the consumer perspective into deliberations and judgements.

The reviews also identified that while banks are working to embed consumer perspectives in all decision-making, some have made progress and are more advanced than others and all have significant distances to travel to fully embed a consumer-focused culture.

Often in banks, strategies harmful to consumers can emerge simply by the impact on consumers not being openly discussed and identified. An interesting comparison was made during one interview that in consumer-focused businesses outside the financial services sector, considerable time and energy is invested in determining what the consumer wants, building the business model to deliver this and adapting as necessary over time. In comparison, there is a view that in banking, the practice is '*do what you've always done and then do a customer impact assessment at the end*'. In other words, the customer becomes an afterthought rather than being at the centre of decision-making.

'You see the words "customer centric" often being used, but ultimately industry-wide it isn't often lived'

More specifically the reviews identified that two important prerequisites for a successful transformation towards a consumer-focused culture were not met in all instances:

- **A collective understanding of what consumer focus actually means and what it requires in terms of behaviours:** This collective understanding was not present in each case. This creates a risk that banks get 'stuck' in their transformation process. It is imperative that banks develop this shared 'consumer compass' without delay.

  In one bank, the review team was told by many interviewees that the bank had come a long way since the crisis but that there was more to do and further improvements to be made. They were not sure, however, what further actions they needed to take to drive the organisation forward. Without such common understanding and shared mindset, banks are at risk of not being able to move forward.

- **Embedding consumer focus in structures, processes and systems:** In some instances, banks are making progress in integrating the consumer focus in organisational structures and process; however, even these banks have a considerable way to go to embed a consumer-focused culture.

Risk:

- Without taking all perspectives into consideration, banks ultimately run the risk of repeating the prioritisation of short-term financial goals at the expense of the consumer.

- Without clear values and a clear and shared understanding of how to integrate the consumer perspective into the banks' organisation, operations and decision-making, the banks risk failing to complete the transformation towards a consumer-focused culture.

5.2.2 Executives continue to operate in a 'firefighting' mode remnant of a crisis-era mindset

Contextual pressures have contributed to organisational mindsets which continue to be focused on short-term issues and legacy matters over consumer interests

The reviews identified several executive committees displaying 'firefighting behaviour', focussing on solving urgent and short-term issues. This may be a **remnant of a crisis-era mindset**; the crisis created substantial risks for all Irish banks and prompted them to operate in a **'survival mode for a period of time'**, inciting a short-term focus on improving financial performance. The continued necessity to solve a multitude of legacy and regulatory issues, amplified by external pressures, may prolong this short-term focus. This affects executives' capacity to design a thorough and well-considered long-term transformation process and decreases the time available for undertaking the kind of proactive engagement with staff that is necessary to promote new behaviours.

Following restructuring and recapitalisation within the banking sector, the enhanced regulatory framework contributed to increased sectoral robustness, with a substantial increase in the level of supervisory engagement and the number of risk mitigation programmes implemented. Although these efforts have resulted in a more robust sector, where from a prudential perspective the banks are appropriately capitalised, they also required banks to focus on the management of legacy issues, such as non-performing loan portfolios, and the reinforcement of risk management frameworks. In addition to the regulatory focus, banks were dealing with an increased level of market, political and media scrutiny. Consequently, the banks' **focus was chiefly on concerns such as legacy issues**. The actual focus on the consumer was not to the fore in terms of decision-making.

In summary, legacy matters and regulatory compliance continue to require substantial executive and organisational attention and have dominated executive focus heretofore. While essential to address such matters, executive committees must balance this with sufficient focus on completing their complex transformation programmes now under way. Banks must **build the capacity to manage the regulatory and legacy agenda whilst also crucially being capable of driving a forward-looking perspective.**

Risk:

- Inability to move through the transition phase: legacy and regulatory issues are occupying banks' time and energy, running the risk that the banks remain backward-looking rather than forward-looking. Banks must build the capacity to manage these issues while taking a forward-looking perspective to ensure they can continue to strengthen sustainably and serve their critical economic function.

- If legacy issues continue to dominate executive committee agendas, it may jeopardise the development and implementation of future strategy that serves the consumer's interests.

5.2.3 Occasional reversal to directive leadership styles

The banks are struggling to transition from the crisis mindset and adopt more appropriate leadership styles as they pursue a return to steady state

The reviews raised concerns with respect to leadership styles. In some banks remnants of the crisis-era mindset result in **occasional reversal to the directive leadership styles** cultivated during the crisis. Different circumstances require different leadership styles, and an appropriate balance will always be required. However, the banks, which are currently undertaking comprehensive organisational transformations towards balanced decision-making, should place an emphasis on inclusive and collaborative leadership styles, aimed at integrating as many people and perspectives as possible. 'Command and control' directive styles, while appropriate in certain circumstances, are more fitting to crisis situations.

The reviews found that the banks are currently in a transition phase where they are attempting to move from a crisis phase into a steady state.

'There are fundamental changes needed in this bank, deep and structural change to how people think'

This transition phase is reflected in many aspects of the banks from business models, decision-making, leadership, mindset, organisational structure and, importantly, consumer focus. For example, banks are attempting to move to an inclusive leadership style, driving a collaborative style of decision-making. However, **in times of pressure, banks were observed moving back into directive – or 'command and control' - leadership styles and silo decision-making**. This is reflective of banks that are struggling to fully make the transition out of a crisis phase.

Factors affecting banks' ability to comprehensively move to a more inclusive leadership style include:

- Executive committees dealing with **overloaded agendas** as a result of legacy issues, mandatory items, regulatory items, and other environmental pressures. This leaves little time for strategic reflection in decision-making or other considerations.
- Many banks have experienced significant changes at executive level in recent years, resulting in instability in the composition of the executive teams. Review teams saw evidence that current **executive teams are in the 'forming' stage whereby members generally operate independently as** interpersonal collaboration needs to be developed and strengthened. [23]
- It is also evident that a **diverse composition does not immediately translate into diversity in decision-making**. The importance of and need for diversity is dealt with more fully in Section 6. When diversification is in its early stages, however, it can bring challenges in terms of decision-making, as a highly diverse group needs to learn how to listen and collaborate with each other and understand differing perspectives in order to be collectively effective.

[23] Tuckman, B.W. (1965). 'Developmental Sequence in Small Groups', Psychological Bulletin 63; and Tuckman, B.W. and Jensen, M.A.C. (1977). 'Stages of small group development revisited'.

Risk:

- A crisis-era mindset drives a focus on short-term issues, risks and solutions and inhibits the ability to innovate, plan or reflect on progress. More broadly, this mindset is reflective of a banking sector where a consumer-focused culture is not fully embedded.

- In cases where a directive leadership style continues, the quality of challenge is under pressure. This may inhibit the development and utilisation of strengths and capability of executive committees and risk them being drawn back into a crisis-era mindset that focuses on short-term financial goals.

- In the absence of established executive committees that know how to collaborate, directive leadership styles may recur under difficult circumstances and pressure. Executive teams need to invest significant time and effort to develop constructively collaborating teams.

- Instability at executive committee levels may lead to a lack of cohesiveness as a group; this continues the risk of silo decision-making and may lead to a lack of progress in terms of moving the bank forward.

- Diversity of perspectives in terms of decision-making needs to be consciously managed to ensure effective decision-making is not impeded by an inability to understand differing perspectives.

5.2.4 Concerns around over-optimism

Emerging from the crisis is seen as a significant achievement, but drives over-optimism, which may lead banks to underestimate the work required to deliver on the change agenda

The reviews found evidence that many banks use the crisis as a comparative reference point against which the progress of organisational development is measured. Executive committees felt confident that, if their bank could survive and emerge from the crisis, they were well placed to successfully complete the current organisational transformations.

Concurrently, executive committees perceive the steps they have taken towards embedding a consumer-focused culture as significant; however, this is measured against the low benchmark of the crisis era. This continued use of the crisis as a reference point gives rise to concerns about the potential for over-confidence, and a risk that banks underestimate the magnitude of the task ahead.

The reviews also identified that many banks believe that the appointment of new individuals to the executive committee will change behaviours and resolve problems. However, as behaviours are also shaped by a multitude of contextual factors rather than just individual capabilities, this gives rise to the risk of unrealistic expectations of individuals as well as the risk of contextual factors remaining unaddressed.

Risk:

- Unwarranted optimism may prevent banks from having a full appreciation of the efforts needed to drive sustainable progress. Continued reference to the low benchmark of the crisis may hinder banks in acknowledging evolving conditions and in adopting measures necessary to meet consumer needs.

- An overreliance on new appointees as agents of change suggests a lack of realism about the complexities of cultural and behavioural transformation. This may result in banks not developing important components such as group dynamics and leadership capability.

5.2.5 Lack of empowerment and decision-making below executive committee level

The banks are struggling to find balance in terms of accountability in decision-making and empowering their senior staff

While the review team identified that efforts are underway to empower senior staff, banks are still struggling to achieve an appropriate balance between executive level accountability and decision-making ability of senior management.

'If every decision has to go to the executive management committee, well then you are not driving the right type of accountability'

Within the context of the ongoing crisis-era mind set mentioned earlier, senior managers in many banks find themselves seeking executive guidance and decisions on many operational matters. Conversely, in many instances, executive committees find it difficult to delegate decision-making, as they seek to maintain that control when under pressure. Ample evidence was observed of this behavioural pattern leading to '*congestion*' in executive decision-making processes. A lack of genuine empowerment and involvement of the senior management below executive committee level runs the risk of hampering, if not derailing, transformation efforts towards a consumer-focused culture as senior management are key 'change agents' in any transformation.

It is crucial that this 'upward delegation' is replaced by genuine involvement of the organisation as a whole. While executives must remain accountable, they should not be too eager to accept all decision-making responsibility; instead, they should further facilitate, trust and equip managers and employees to take responsible decisions themselves. Appropriate delegation of decision-making needs to be achieved to strengthen the performance of the organisation.

Risk:

- Without empowerment of senior management, the executive committees may find themselves overburdened and unable to dedicate the energy or time to drive a forward-looking strategy.

- The pace, scale and granularity of decision-making may result in the loss of strategic perspective, leading to missed opportunities and risks.

- Senior managers lacking empowerment are less able to play their role as change agents, which can result in delays to, or derailment of, the transition process.

5.3 Next steps – Responding to the risks

While banks are at different stages of embedding the consumer in all aspects of decision-making, all have significant work to do. As a result, and while efforts have been made, it is clear that consumer-focused cultures in the banks remain under-developed, and that banks need to overcome obstructive patterns of behaviour in order to transition to maturity. The behavioural patterns identified in these reviews point to a retail banking sector scarred by the crisis and struggling to move from survival to a steady state as a result of a persistent crisis-era mind set. Banks must act to address the decision-making, empowerment and mindset issues identified in this report.

Responding through regulation alone to failures in the retail banking sector, particularly in the areas of governance and culture, will fall short of what is required to restore trust in the sector. While the Central Bank is continually evolving its system of supervision to identify and address cultural issues (set out in more detail in Sections 7 and 8), it remains the case that the banks must work to change their own cultures if such change is to be sustainable.

The Central Bank has provided bespoke feedback in the form of individual reports to each of the five banks. Importantly, the banks acknowledge the findings and the risks.

As culture is in the first instance for each organisation to address, banks' acceptance of these issues is a key catalyst to ensuring the appropriate actions are taken to address these behaviours and drive a more effective consumer culture in the sector. The Central Bank will issue a Risk Mitigation Programme to each of the banks requiring them to submit a detailed action plan to address the issues identified and to ensure the risks are mitigated. Each bank will be required to address their individual issues appropriately. This ensures that the banks themselves will undertake the extra work required to understand their own organisational cultures and take responsibility for them. Supervisors will assess the actions planned by the banks and engage to assess the progress being made.

A sustainable, trusted banking model requires a well-embedded consumer focused culture. Remediating the observations made as part of these reviews is in both consumers' interests and the banks' own interests, as consumers need to be able to trust the banks and banks importantly need to drive the rebuilding of this trust.

6. Diversity and Inclusion Assessments – Overview of Findings

The Central Bank considers that diversity and inclusion in all their forms are important components of well-managed, financially resilient, strategically-minded firms, and therefore pertinent to the Central Bank's mandate of Safeguarding Stability, Protecting Consumers.[24,25]

This is based on the weight of research evidence and our own experience. Low levels of diversity increase the risk of over-confidence in decision-making, result in a lack of internal challenge, a reluctance to change, and an excessive resistance to external challenge.[26] Group-think and a lack of challenge can also result in over-reliance on a core set of assumptions, and may cause an organisation to downplay risks stemming from its decisions and behaviours. For these reasons, diversity is an important driver in the culture of a firm.

The Central Bank published research in 2017 and 2018 on the levels of gender diversity at senior levels – those holding pre-approval controlled function ('PCF') roles - in regulated financial services providers, which shows a significant gender imbalance at these levels.[27] For this reason, in parallel with the Behaviour and Culture Reviews of the banks, the Central Bank conducted separate Diversity and Inclusion Assessments within the five organisations. The methodology and fuller statistical detail can be found in Appendix 2.

6.1 Summary

The summary findings of the Diversity and Inclusion Assessments of the five banks are as follows:

- The banks' focus on diversity and inclusion to date is relatively recent, with most taking steps to become more diverse and inclusive only over the past two years. This coincides with the Central Bank's increased focus on this issue.
- There are significant differences in the maturity and ambition of the approaches taken by the banks to diversity and inclusion, with two banks clearly further ahead in prioritising diversity and inclusion.

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[24] See speeches by E. Sibley, Deputy Governor, Prudential Regulation, Central Bank of Ireland (November 2017) and S. Donnery, Deputy Governor, Central Banking (May 2018) www.centralbank.ie/news/article/the-importance-of-diversity---deputy-governor-ed-sibley & www.centralbank.ie/news/article/importance-diversity-central-banks-supervised-entities-deputy-governor-donnery-04-May-2018

[25] For the purpose of the assessments the definition of diversity was looked at in the context of Directive 2013/36/EU paragraph 60: 'To facilitate independent opinions and critical challenge, management bodies of institutions should therefore be sufficiently diverse as regards age, gender, geographical provenance and educational and professional background to present a variety of views and experiences.'

[26] Hoogendoorn, S., Oosterbeek, H. and van Praag, M. (2013) 'The impact of gender diversity on the performance of business teams: evidence from a field experiment'. *Management Science*.
Zelechowski, D. and Bilimoria, D. (2004) 'Characteristics of women and men corporate inside directors in the US'. *Corporate Governance: An International Review*; Maznevski, M. L. (1994) 'Understanding our differences: Performance in decision-making groups with diverse members'. *Human Relations*.

[27] For an explanation of the F&P Regime, see footnote 3 on page 9 of this report.

- The actions being taken to improve diversity and inclusion are not typically being subjected to assessment and measurement to ensure their effectiveness, with banks collecting insufficient data. There is evidence of this changing, with the more advanced banks more recently starting to set tangible diversity and inclusion goals (although typically relating mainly to gender).
- The banks that appear to be most committed to becoming more diverse and inclusive are focusing their actions on the levels below the board as well as at the board level. While still focusing on gender diversity, the more advanced institutions have now expanded their efforts to other aspects of diversity.
- Targets for diversity at the board level have been set, but some of these have been set at levels already achieved and most are limited in terms of ambition and are somewhat one-dimensional (focused on gender).

6.2 Detailed findings

Current landscape

Our assessments show that the five banks are similar to the rest of the Irish regulated financial services sector in terms of levels of diversity considering, *inter alia*, gender, age, education, experience and ethnic background.

The Central Bank received more than 20,800 applications for pre-approval for senior roles (PCFs) in regulated financial services providers between 2012 and 2017.[28]

Between 2012 and 2016, c.80% of such senior appointments made in the financial institutions operating in Ireland were men, with a high of 84% male applicants in 2012 decreasing to 78% of male applicants in both 2016 and 2017.[29,30]

For the most senior roles and the revenue-generating roles in finance (such as Head of Retail and Head of Credit), the imbalance was even more evident. At the board level between 2012 and end-2016, women comprised:

- 16% of applicants overall;
- 12% of applicants for chief executive roles;
- 12% of applicants for chairman of the board roles;
- 15% of applicants for executive director roles; and
- 18% of applicants for non-executive director roles.[31]

An analysis of applications for 2017 showed that there were improvements in some sectors. For example, there were increases in the percentage of female applicants of between 5% and 6% in the banking, credit union and asset management sectors. However, consistent with previous years, the 2017 data shows that the proportion of female applicants in front-

[28] The process involves the PCF applicant completing an online Individual Questionnaire (IQ), which is endorsed by the firm which wishes to appoint the individual, and then submitted to the Central Bank for approval. The IQ contains information about the applicant, which is required to assess their fitness and probity to carry out that PCF role.
[29] Central Bank of Ireland (2017). 'Gender breakdown of applications received for certain roles in regulated firms 2012 to 2016' www.centralbank.ie/docs/default-source/publications/gender-analysis-paper.pdf?sfvrsn=6
[30] Central Bank of Ireland (2018). 'Demographic analysis -Applications for Pre-Approval Controlled Function (PCF) roles in regulated firms – 2017' www.centralbank.ie/docs/default-source/publications/2018-demographic-paper---final.pdf?sfvrsn=0
[31] Central Bank of Ireland (2017). 'Gender breakdown of applications received for certain roles in regulated firms 2012 to 2016' www.centralbank.ie/docs/default-source/publications/gender-analysis-paper.pdf?sfvrsn=6

line and/or revenue-generating roles continues to be considerably lower than in control functions (compliance, risk, audit).[32]

Turning specifically to the five in-scope banks, our analysis has produced the following observations:

- Since 2012, 20% of PCF applications were for women, although there has been some improvement in the last three years, with the percentage rising to 29% in 2017;
- Within this 20%, over 80% of all PCF applications submitted for women were for roles other than executive positions, such as independent non-executive directors or roles or in key control functions;
- Less than 6% of applications for revenue-generating roles were for women – i.e. there is an even greater gender imbalance in those senior roles that are central to how banks make their decisions, set their risk appetites and treat their customers;
- Since 2015, there has been a shift in age demographic, with the proportion of applications in the 40-49 age bracket substantially increased;
- The majority of PCF applications are for Irish (68%) or British nationals (21%); and
- The sizeable majority (over 65%) of applicants have a financial services, accountancy, business or economics background.

Approaches being taken to improve diversity and inclusion

The Central Bank's assessments of the banks' approaches to diversity and inclusion identified different levels of prioritisation, maturity and, consequently, a wide range of different practices. In some cases, there is a clear recognition of risks associated with lack of diversity and inclusion, and a demonstrable focus and commitment at the board and executive level to address these risks, with a clear ambition (backed by externally publicised goals – typically focused on gender) to improve the levels of diversity at senior levels. In other cases, the focus and prioritisation is much lower; a bare minimum approach has been taken to comply with the regulation that currently applies, with an associated lack of evidence of a commitment to drive change.

6.3 Risks and concerns

Group-think has been identified as a contributing factor to the financial crisis.[33] Research suggests that diversity at senior levels can help to reduce the likelihood of group-think,[34] improve decision-making,[35] increase the level of challenge,[36] and improve risk management.[37] The Central Bank's own experience is that a lack of diversity and inclusion

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[32] Central Bank of Ireland (2018). 'Demographic analysis -Applications for Pre-Approval Controlled Function (PCF) roles in regulated firms – 2017' - www.centralbank.ie/docs/default-source/publications/2018-demographic-paper---final.pdf?sfvrsn=0

[33] Houses of the Oireachtas (2016). 'Report of the Joint Committee of Inquiry into the Banking Crisis' inquiries.oireachtas.ie/banking/wp-content/uploads/2016/01/02106-HOI-BE-Report-Volume1.pdf

[34] For example, Daily, C.M., Dalton, D.R. and Cannella, A.A. (2003) 'Corporate governance: Decades of dialogue and data' *Academy of management review*; Maznevski, M. L. (1994) 'Understanding our differences: Performance in decision-making groups with diverse members' *Human Relations*; Robinson, G. and Dechant, K. (1997) 'Building a business case for diversity' *Academy of Management Executive*; Zelechowski, D. and Bilimoria, D. (2004) 'Characteristics of women and men corporate inside directors in the US'. *Corporate Governance: An International Review*.

[35] Hoogendoorn, S., Oosterbeek, H. and van Praag, M. (2013). 'The impact of gender diversity on the performance of business teams: evidence from a field experiment'. *Management Science*

[36] Terjesen, S., Sealy, R. and Singh, V. (2009). 'Women directors on corporate boards: A review and research agenda'. *Corporate Governance: An International Review*

[37] Adams, R.B. and Ragunathan, V. (2015) *Lehman sisters.* FIRN Research Paper; Kirrane, S (Staff member, Central Bank of Ireland) (2017) Should financial regulators require regulated entities to have gender diversity on their boards, Warwick Business School

at senior management and board level in organisations is a leading indicator of elevated behaviour and culture risks.

In this context, it is of concern that there remains, by any measure, a lack of diversity and inclusion at senior levels in the regulated financial services sector in Ireland, and specifically in the five banks subject to this review. This goes beyond the clear lack of gender diversity.

As outlined earlier, the early stages of enhancing diversity and inclusion in any organisation can bring risks, for example, in the development of collaborative and constructively challenging approaches to decision-making. The Central Bank acknowledges that these risks do need to be mitigated. However, they do not excuse inaction and the need to meaningfully address the lack of diversity and inclusion at senior levels in the banks and the wider financial services sector.

It is evident that the approach to improving diversity and inclusion in the retail banks is improving. The Central Bank is somewhat encouraged by some of the emerging good practices observed during the course of the assessments. However, there is an inconsistency in the ambition and maturity of the approaches being taken. Furthermore, even in those banks that are more advanced, the levels of extrinsic diversity in the most senior roles remains low, particularly in those roles that are most prominent in the running of the businesses.

Therefore, it is clear that more needs to be done to enhance diversity and inclusion across the banks. Further action is required to reduce the risks outlined above, and, in doing so, improve decision-making, enhance the behaviour and culture and improve the level of effective challenge in boardrooms and on executive committees of the five banks.

6.4 Next steps – Central Bank expectations

At the heart of both the Central Bank's Corporate Governance Requirements for Credit Institutions 2015 and CRD IV, there is a recognition that diversity is a fundamental part of the establishment of the management body. CRD IV, as transposed into Irish law by the European Union (Capital Requirements) Regulations 2014 (S.I. No. 158 of 2014), introduced requirements that:

- institutions shall take into account and adopt policy promoting the diversity of the management body when recruiting new members; and
- the nomination committee, which is required for significant institutions, should set a target for the representation of the under-represented gender and prepare a policy on how to increase the number of the under-represented gender in the management body.[38]

The EBA has further outlined its regulatory expectations stating that 'requirements, various standards, guidelines, and best practices have evolved to reinforce the importance of diversity at the management body of regulated financial services providers across Europe.'[39] Further, the Central Bank's Corporate Governance Requirements for Credit Institutions requires that: 'The board, or nomination committee where one exists, shall

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[38] In Single Supervisory Mechanism (SSM) jargon, a significant institution is a bank to which such importance is attached that the European Central Bank (ECB) directly oversees it. The following are considered 'significant': the three largest banks in a participating member state, banks in receipt of direct EFSF/ESM assistance and banks with total assets in excess of €30 billion or 20% of national gross domestic product (with a balance sheet total of at least €5 billion).

[39] EBA guidance 'Guidelines on the assessment of suitability'. 'The diversity policy for significant institutions should include a quantitative target for the representation of the underrepresented gender in the management body,'

establish a written policy on diversity with regard to selection of persons for nomination to become members of the board.'[40]

The Central Bank's expectations are not consistently being met in terms of the banks adhering to these regulations, guidelines and requirements. In some cases the letter is being adhered to, not the spirit.

The Central Bank will be communicating to each of the five banks its expectations in terms of meeting these requirements, recognising that some of the banks are working to do so already. More importantly, the Central Bank expects that all banks will move beyond a minimum compliance-driven approach to meaningfully address the lack of diversity and inclusion at senior levels. These expectations include:

- That the board and senior management have approved the bank's diversity and inclusion policies and these are subject to annual review and regular discussion;
- That the board and senior management are actively considering the construction of the board, the executive and key committees (including as part of effectiveness reviews) to identify actions that would enhance the levels of diversity of thought and effective challenge within them, and so improve decision-making and risk management;
- That the board and senior management have approved and are progressing a clear plan to implement these actions, and provide a copy to the Central Bank for review; and
- That each action plan:
    - includes clear expectations, stretch measures and implementation targets;
    - considers a range of measures of diversity and considers what is required to identify and mitigate relevant risk factors;
    - is subject to annual review, with effectiveness measured against suitably ambitious outcomes and targets; and
    - enhances the approach to resourcing, succession planning and recruitment.

The Central Bank will assess the progress being made, as well as undertaking further work across banking and in other sectors such as insurance. Recognising that there is evidence of some progress, the Central Bank's preference remains for the banks to deliver the necessary improvements themselves. However, in the absence of improvements in diversity and inclusion at senior levels in regulated financial services providers, the Central Bank will consider whether it is necessary to put further specific requirements in place.

[40]Central Bank of Ireland (2015). 'Corporate Governance Requirements for Credit Institutions 2015' www.centralbank.ie/docs/default-source/regulation/codes/gns-4-1-7-corgovreq-credinstits2015.pdf?sfvrsn=4

7. Standards and Accountability – Strengthening the Regulatory Framework

To fulfil our mandate, the Central Bank requires a toolkit of varied and adaptive methods by which to promote a culture of ethical compliance by firms and individuals. The Central Bank regularly reviews the legislative, regulatory and policy framework within which it operates to assess the extent to which changes may be necessary.

This section focuses on reforms that would strengthen the Central Bank's legal and policy framework. These reforms will support positive cultural change by providing banks and other regulated financial services providers with clarity as to the basic values on which a positive culture is built and the tools to support change.

In proposing these reforms, the Central Bank has taken into consideration issues arising from our increased focus on culture in recent years and the issues arising from the Tracker Mortgage Examination while also drawing on our wider regulatory and supervisory experience together with evolving international developments. Therefore, these reforms will apply more widely than to retail banks alone.

Specifically, we are recommending an Individual Accountability Framework comprising:

- Standards of behaviour for regulated financial services providers and the individuals working within them ('Conduct Standards');
- A Senior Executive Accountability Regime which ensures clearer accountability;
- Enhancements to the current F&P Regime; and
- A unified enforcement process.

7.1 Context and existing system

Internationally, it is recognised that culture must be continually managed and monitored at a senior level within firms. Regulators and policy setters have therefore focused increasingly on individual responsibility and accountability, particularly at senior management level. As recently as April 2018, the FSB identified lack of accountability for misconduct as a key cultural driver of misconduct and recommended that national authorities identify and assign key responsibilities, hold individuals accountable and assess the suitability of individuals assigned key responsibilities.[41] Notwithstanding that it is in the long-term interests of firms themselves to embed effective culture, without a strengthened Individual Accountability Framework, the likelihood of profound cultural change in the regulated financial services sector is reduced.

While there are already elements of such a regime in the Irish and European regulatory framework, including the F&P Regime, the Central Bank is of the view that the introduction

[41] Financial Stability Board (2018). 'Strengthening Governance Frameworks to Mitigate Misconduct Risks: A Toolkit for Firms and Supervisors'.

of a strengthened and more holistic Individual Accountability Framework is necessary to promote cultural change.

7.2 Rationale for enhancing the system

Culture, behaviour and conduct should be driven by standards such as integrity, honesty, skill, care and responsibility. While culture within a firm is influenced by the 'tone from the top', management and staff at all levels through their individual behaviours and attitudes influence the culture of an organisation. Every single member of an organisation should be clear as to what is expected of them and the consequences of deviating from such standards.

An Individual Accountability Framework sets out what are reasonable and expected standards of behaviour of staff in the regulated financial services industry. It also provides clarity to firms and the regulator as to who is responsible for what and how decisions are made within firms. Enhancing individual accountability is integral to the regulation of firms, sets a solid foundation for more efficient communication and quicker resolution of issues, and improves decision-making. The ambition is to foster an effective culture and clarity of responsibilities such that staff and senior managers within firms promote consumer interests and proactively address problems. Where firms' cultures clearly demonstrate appropriate behaviours and acceptance of responsibility, regulatory authorities can place increased reliance on these firms, enabling a more efficient and effective prioritisation of regulatory resources. In those cases where regulatory issues arise, the framework will facilitate, depending on the particular circumstances, holding firms and/or individuals to account and provide a range of tools to address misconduct.

7.3 The Individual Accountability Framework

The primary purpose of the Central Bank's reform proposals is to act as a driver for positive behaviours and recognition of responsibilities by individuals. Given the interplay between behavioural drivers of misconduct, individual responsibility and accountability, these aspects need to be considered together. There are four elements to our proposals:

- Conduct Standards which set out the behaviour the Central Bank expects of regulated financial services providers and the individuals working within them;
- A Senior Executive Accountability Regime which ensures clearer accountability by placing obligations on firms and senior individuals within them to set out clearly where responsibility and decision-making lies for their business;
- Enhancements to the current F&P Regime to strengthen the onus on firms to proactively assess individuals in controlled functions on an ongoing basis, and to surmount some current limitations of the F&P investigative function; and
- A unified enforcement process, which would apply to all contraventions by firms or individuals of financial services legislation.

The Central Bank proposes that the Conduct Standards would apply across the regulated financial services sector. Taking a risk-based approach, it is proposed that the initial introduction of a Senior Executive Accountability Regime would focus on a sub-set of the financial services industry (see 'Initial Scope' below). The first two elements of the reforms would be supported by the proposed enhancements to the F&P Regime and by a unified enforcement process.

The Central Bank has researched the underlying policy and practical implementation of accountability frameworks in a number of jurisdictions, including Australia, the United Kingdom and Malaysia. It is recognised that aside from the need for an appropriate legislative basis, the operationalisation of such a framework will require detailed articulation of underlying policies and procedures together with supporting guidance. In addition, the Central Bank would consult stakeholders to ensure any such framework is clear, effective and pragmatic, to facilitate a smooth transition and to ensure engagement with both firms and staff. The Central Bank would also take into account existing legislative requirements in setting the framework. The design, implementation and operationalisation of such a framework would therefore be a multi-year project.

The approach is set out in more detail below, taking each of the four parts in turn:

Conduct Standards

Conduct Standards embedded in the legislative framework can sit alongside prescriptive rules, and can be enforced where entities or individuals fall below them. Examples of such core Conduct Standards include the requirement on entities and individuals that they conduct themselves with honesty and integrity, act with due skill, care and diligence in relation to the conduct of their business and co-operate with relevant regulatory authorities. Certain conduct standards are already provided for in the current regulatory framework - for example, the Consumer Protection Code and the F&P Regime - but the Central Bank proposes that they be enhanced and provided for as Conduct Standards to which regulated financial services providers and individuals must hold themselves. The Central Bank proposes three sets of standards:

- Common Conduct Standards for all staff in regulated financial services providers;
- Additional Conduct Standards for senior management; and
- Standards for Businesses.

Common Conduct Standards for all staff and the further Conduct Standards for staff in PCF roles and/or 'Senior Executive Functions' (described below) set out the Central Bank's expectations in terms of individual behaviours and create an awareness of what good behaviour looks like. The Standards for Businesses represent similar common standards applicable to firms across the regulated financial services sector. Below, we provide a high-level overview of each set of indicative standards.

Standards for all individuals

Most individuals working in the regulated financial services sector will likely consider such Conduct Standards reflective of the values to which they hold themselves. Codifying them aims to provide a sense of shared values and to empower staff within firms to question or challenge regarding how firms go about their business. The recommendation that these Conduct Standards be imposed as universal obligations on all staff recognises that, in the case of systemic control failures within firms, staff at various levels and in various roles in firms often feel a disquiet or concern regarding how issues, including those affecting consumers, are being handled. In the case of individuals working in regulated financial services providers, it is proposed that they would be required to:

- Act honestly, ethically and with integrity;
- Act with due skill, care and diligence;
- Be open and cooperative with the Central Bank and other regulators and deal with them in good faith;
- Act in the best interests of customers and treat them fairly and professionally; and
- Observe proper standards of market conduct.

Additional standards for senior management

Recognising the specific responsibilities imposed on those in more senior roles, it is proposed that the following additional Conduct Standards be imposed on those in PCF roles or captured by the proposed Senior Executive Accountability Regime (see below):

- You must take all reasonable steps to ensure that the business of the firm for which you are responsible is controlled effectively;
- You must take all reasonable steps to ensure that the business of the firm for which you are responsible complies with relevant regulatory requirements;
- You must take all reasonable steps to ensure that any delegation of tasks for which you are responsible is to an appropriate person and that you oversee the discharge of the delegated task effectively; and
- You must disclose promptly, proactively and appropriately any information of which the Central Bank would reasonably expect notice.

Standards for Businesses

The Central Bank is of the view that the introduction of Standards for Businesses is an essential counterbalance to the individual Conduct Standards, making clear that the Central Bank continues to expect high standards of behaviour for firms and will hold them to account based on these Standards.[42] Certain of the Standards for Business are already requirements - for example, under the Central Bank's Consumer Protection Code - in terms of how regulated entities are to deal with their customers, and others would be new Standards. The proposed Standards for Businesses are consistent principles setting out in clear and simple terms the common standards that all firms, regardless of sector, must meet – they are to firms what the Conduct Standards are to individuals. The Central Bank has set out below proposed Standards for Businesses:

- **Professionalism, honesty, ethics and integrity**: A firm must conduct its business professionally, honestly, ethically and with integrity.
- **Skill, care and diligence**: A firm must conduct its business with due skill, care and diligence.
- **Market conduct**: A firm must observe proper standards of market conduct, comply with relevant market codes and exchange rules, and not engage in or permit market manipulation.
- **Communications with customers:** A firm must pay due regard to the information needs of its customers; make full disclosure to its customers of all relevant material information in a way which is clear, fair and not misleading; and seek from its customers information relevant to the product or service requested.
- **Customers' interests:** A firm must act in the best interests of its customers and treat them fairly and professionally;
- **Customers: relationships of trust**: A firm must take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgment;
- **Management and control**: A firm must take reasonable care to organise and control its affairs, systems (including risk management systems) and resources responsibly, effectively and in a manner appropriate to the business of the firm;
- **Financial prudence**: A firm must maintain adequate financial resources and manage its affairs in a sound and prudent manner;
- **Clients' assets**: A firm must arrange adequate protection for clients' assets when it is responsible for them;

[42] Individuals may also be held accountable if they participate in a contravention by a firm of these standards.

- **Conflicts of interest**: A firm must seek to avoid conflicts of interest and must manage conflicts of interest fairly; and
- **Relations with regulators**: A firm must deal with its regulators in good faith and in an open and cooperative way, and must disclose to the Central Bank promptly, proactively and appropriately anything relating to the firm of which the Central Bank would reasonably expect notice.

Senior Executive Accountability Regime

The collective decisions of the board and senior management draw on contributions from a range of individuals with distinct responsibilities. From both a firm, individual and regulatory perspective, it is important to be clear on who is responsible for what within a firm and how decisions are made within a firm's governance structures. Insisting on clarity in respect of individual responsibility reflects the priority that is placed on a culture of good conduct and the need for accountability. Lack of clarity makes it difficult to hold individuals accountable for their actions and decisions, alongside reasonably managing the actions and behaviours of those in their areas of responsibility.[43] It should be borne in mind that well-run firms have clear lines of responsibility and decision-making processes, and the reforms we propose below should not fundamentally change how those firms organise and run their businesses.

A high-level overview of the key elements is set out below.

- ***Initial Scope***

Without prejudice to a possible wider application over time, it is proposed that a Senior Executive Accountability Regime be introduced for:

- 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 monies/assets; and
- Third country branches of the above.

Aside from international benchmarks, a risk-based approach to prudential, consumer and conduct risk warrants the inclusion of these sub-sectors within a Senior Executive Accountability Regime. In the interest of ensuring a level playing field, third country branches authorised to operate in Ireland in these sectors should also be included.[44]

- ***Senior Executive Functions***

Broadly speaking, these Senior Executive Functions (SEFs) would include board members, executives reporting directly to the board and heads of critical business areas. In the case of in-scope firms, these would at least map across to the PCFs under the F&P Regime. The Central Bank recognises that a one-size fits all approach is not appropriate and therefore while certain SEFs may be mandatory, firms would otherwise have the flexibility to structure their senior management team as they

[43] The FSB has concluded, *inter alia*, that '*where introduced, linking roles and responsibilities with accountability of individuals has enhanced the competence of individuals and – particularly within larger firms, resulted in better documented and more transparent internal roles. This has proved useful to both firms and authorities*' and '*...... linking roles, responsibilities and accountability of individuals allows for a more immediate and efficient identification of responsible executives for key business issues. That, in turn, facilitates an open dialogue and meaningful interaction with supervisors as well as more effective enforcement actions*'.
[44] Third country refers to countries outside of the European Economic Area ('EEA')

consider appropriate provided that all prescribed responsibilities, as set out by the Central Bank, are assigned to SEFs.

- ***Prescribed Responsibilities***

Each SEF will have responsibilities which are inherent to that role. Additionally, it is proposed that the Central Bank would prescribe mandatory responsibilities for firms, which must be allocated to individuals carrying out SEFs. This will ensure that there is an SEF accountable for all key conduct and prudential risks. It is recognised that not all prescribed responsibilities will be relevant to every firm. As such, it is proposed that there be a general list of prescribed responsibilities applicable to all firms, with tailored lists for industry sectors and based on firms' scale and complexity.

- ***Statements of Responsibilities***

It is proposed that each SEF would be required to have a documented Statement of Responsibilities which clearly sets out their role and areas of responsibility. These statements are intended to promote clarity and transparency of individual responsibilities and to provide for a more targeted assessment of the fitness and probity of SEFs by allowing their competence, knowledge, experience and qualifications to be measured against the responsibilities they have been allocated. In addition, such Statements of Responsibilities also decrease the ability of individuals to claim that the culpability for misconduct or wrongdoing lies outside their sphere of responsibility, thereby making it easier to hold individuals to account. Statements of Responsibilities would be required to be kept up to date and submitted to the Central Bank.

- ***Responsibility Maps***

It is proposed that each in-scope firm would be required to produce Responsibility Maps documenting key management and governance arrangements in a comprehensive, accessible and clear single source of reference. It is proposed that such maps would include, *inter alia*, matters reserved to the board, terms of reference for key board committees, and reporting lines of SEFs to individuals, committees and, if applicable, within the wider group. Where firms are part of a larger group, they would be required to provide details of the interaction of the firm's and the group's governance arrangements. Responsibility Maps would be required to be kept up to date and submitted to the Central Bank.

Enhancements to the Fitness and Probity Regime

The Central Bank's practical experience of the F&P Regime since its introduction in 2011 has led to the identification of a number of aspects that should be strengthened as part of a holistic review of individual accountability.

The proposed Conduct Standards complement the existing F&P Regime by delineating the responsibilities of PCFs and proposed SEFs. In addition, the Central Bank proposes improving the F&P Regime in relation to firm's obligations vis-à-vis their controlled function ('CF') roles by introducing a certification regime, which would oblige firms to certify on an annual basis that the individuals in question are fit and proper persons to perform their functions.[45] Currently, the Central Bank's F&P Guidance states that firms should, on an annual basis, ask persons performing a CF role to confirm their awareness of, and compliance with, the Central Bank's F&P Standards. A positive duty on firms to certify each

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[45] For an explanation of the F&P Regime, see footnote 3 on page 9 of this report.

CF strengthens the regime and increases the focus on the responsibility of firms for the conduct of their staff and their corporate culture.

Further, it is recommended that the proposals included in the Central Bank's response to the Law Reform Commission regarding reforms to the F&P Regime (including the power to publish refusals of appointments to PCF roles and to investigate those who performed CF roles in the past) be implemented.[46]

A Unified Enforcement Process

If an Individual Accountability Framework is to be effective in driving changes in behaviours, it must be underpinned by a unified enforcement process to remedy issues arising from the multiplicity of processes currently in place.[47] The complexity and fragmentation of the various current enforcement processes would not provide an effective enforcement framework for the introduction of the proposals set out above.

If a credible Individual Accountability Framework is to be implemented, it is also critical to break the link between the conduct of an individual and a firm's wrongdoing (referred to as 'participation'). This hurdle of participation significantly complicates enforcement action under the Administrative Sanctions Procedure (the 'ASP') as the Central Bank may only pursue a 'person concerned in the management' of a firm where (1) a case has first been proven against the firm, and (2) the Central Bank can then prove that the individual participated in a breach by the firm. The need to prove participation also runs counter to the principle of individual accountability, under which an individual should be accountable for their own actions. It is therefore recommended that the hurdle of participation be removed such that the Central Bank could pursue individuals directly for their misconduct rather than only where they are proven to have participated in a firm's wrongdoing. In addition, it is proposed that, as with other requirements, a breach of the Conduct Standards would be subject to direct enforcement action.

Legislative Changes

In order for the Central Bank to impose the Conduct Standards and the Senior Executive Accountability Regime as proposed, it requires the legislative power to do so. Likewise, the changes proposed in respect of the F&P Regime and the current enforcement processes require legislative change. These include, among others, amendments to the Central Bank Act 1942, the Central Bank Reform Act 2010 and the Central Bank (Supervision and Enforcement) Act 2013. Any such legislative change will ultimately be for the Oireachtas. The Central Bank therefore recommends that the Minister considers the proposals as set out and, if considered appropriate, that engagement would commence between the Department of Finance and the Central Bank on the detail of the legislative changes required.

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[46] Central Bank of Ireland Response to the Law Reform Commission Issues Paper 'Regulatory Enforcement and Corporate Offences' (December 2017). Extract from response: 'The Central Bank recommends the broadening of the remit of the fitness and probity regime to include investigations into those individuals who performed controlled functions in the past. This would ensure that the public were protected and that accountability lines are clear; and (ii) The 2010 Act limits the duration of suspension to six months. The intricacies of investigating in the financial services sector and the need for effective protection of the public justify an extension to this six-month timeframe.'

[47] There are currently nine enforcement regimes (ASP, Fitness and Probity Investigations and seven assessor regimes).

8. Supervision of Conduct and Cultural Issues

The Central Bank expects all regulated financial services providers to embed effective organisational cultures, which deliver fair outcomes that have the interests of consumers at heart. We regulate financial conduct to ensure that the best interests of consumers and investors are protected, and that markets operate in a fair, orderly and transparent manner.

We do this through comprehensive and enforceable legislation (rules and standards we set ourselves or are otherwise in place), assertive and risk-based supervision (ensuring firms comply with those rules and standards), a credible threat of enforcement and powers of redress when consumers have suffered detriment. We continually seek to enhance our supervisory approach to ensure it is fit for purpose and delivering for consumers (see Appendix 1 to see how the consumer protection framework was strengthened since the crisis). This is particularly important in the face of emerging trends and products, and the pace and scale of technological innovation in the delivery of products and services to consumers. This section details our approach to supervision – i.e, how we scrutinise the conduct of regulated financial services providers – and the further enhancements we are making to strengthen our supervision of conduct risk specifically. We are doing so because, while culture and behaviour are ultimately the responsibility of the firms themselves, supervisors must be able to identify, assess and mitigate risks caused by cultural and behavioural issues in firms.

We are therefore committed to increasing our supervisory intensity in the area of conduct risk to ensure that boards truly understand the importance of embedding a consumer-focused culture throughout their firms and that they can demonstrate how this translates to fair outcomes for consumers in practice.

To do this, we will intensify our scrutiny of the highest-impact firms from a consumer perspective – i.e, those which present the greatest risk to consumers should conduct issues materialise. These firms can expect that, in addition to our continuing supervision of their compliance with regulation, there will be more pro-active and intense focus on their frameworks to manage conduct risk. Specifically, they can expect:

- **More intrusive firm-specific supervision** to complement our existing sectoral thematic engagements. In addition to our sectoral supervision of compliance with our codes and other regulations in relation to specific products/delivery channels/suitability assessments, etc., we will intensify our focus on the highest-impact firms, including more frequent, targeted use of our CPRA Model (see Box 8.1).
- A newly developed **consumer impact model** will guide this intensified supervision of the most significant firms from a consumer perspective.
- **Increased challenge of boards and executive management** with specific emphasis on behaviour and culture. This challenge will focus on ensuring that firms understand and are effectively managing the risks they pose to consumers.

8.1 Enhancing our supervisory system

We use our Probability Risk and Impact System ('PRISM') as the framework for supervision of regulated financial services providers. This system facilitates our supervisors in judging the risks that a firm poses to the economy and to consumers and in mitigating risks that we consider to be unacceptable. In line with PRISM, we adopt a risk and evidence-based approach to prioritising our work, which ensures that we are focusing our resources on those areas where we consider there to be a significant threat to our consumer protection objectives.

Under the PRISM framework, thematic inspections have been used as the principal tool for identification of conduct risks as they affect consumers. The assessment of conduct risk has traditionally focused on the nature and scope of a firm's products and how the firm controls the risks to consumers presented by its products and its other interactions with them.

In recent years, in recognition of the fact that risks to consumers can stem from other sources – such as a firm's strategy, business model, culture, governance and other internal structures, its systems and processes or the behaviours of individuals at any level within the firm – we have sought to broaden our supervision of consumer-focused conduct risks. Therefore, in 2017, we announced a new supervisory tool – CPRA Model – with targeted initial roll-out.

The CPRA seeks to ensure that regulated financial services providers understand the risks faced by their consumers, not only from the products and services they offer, but also from the behaviour of the firms themselves and that of the wider market. The CPRA will strengthen our supervision of conduct risk. Specifically, it will complement our sectoral thematic supervision with an intensified firm-specific focus.

A central expectation of regulated financial services providers is that they develop and embed comprehensive consumer risk management frameworks to manage these risks effectively. Using the CPRA, we will conduct more frequent targeted assessments of the highest-impact firms from a consumer protection perspective. Targeted assessments will be undertaken to test the adequacy of the frameworks such firms have in place to understand and mitigate the risks faced by their consumers, as detailed below.

Box 8.1

The Consumer Protection Risk Assessment Model enables the Central Bank to assess how firms are managing the risks they pose to consumers and ensure they have appropriate risk management frameworks to deliver for their consumers. Specifically, it enables Central Bank supervisors to assess the extent to which firms have embedded the concept of fair consumer outcomes in the way they run their business.

The CPRA framework is comprehensive and has been designed to assess any or all of the following:

- The effectiveness of a firm's organisational structure and governance and control measures to enable it to identify, manage and effectively mitigate the risks it poses to consumers;
- What a firm's 'intended culture' is and how that intended culture is reinforced through various behavioural drivers in the firm;
- How a firm designs and continually assesses the appropriateness and suitability of the products, services and distribution channels it offers to consumers;
- The extent to which a firm ensures that consumers understand the product they are being offered, that it meets their needs and that it is sold in the right way; and
- How a firm designs and reviews its complaints and other post-sales processes to meet the needs and the expectations of customers and how it ensures these processes do not lead to unreasonable barriers resulting in unfair outcomes for consumers.

In order to select the highest-impact firms for more frequent targeted assessments, the Central Bank is developing a new consumer impact model which will enable us to determine those firms that pose the greatest potential harm to consumers should conduct issues materialise. Those firms that have a lower potential adverse impact will continue to be supervised through thematic and event-driven supervision, with the Central Bank taking targeted enforcement action against firms across all impact categories whose poor behaviour risks jeopardising consumer protection.

This new engagement model will require us to scale up our conduct supervision resources, with dedicated teams established for the highest impact firms.

It is inevitable that consumer protection issues will arise that could not have reasonably been foreseen or that may be the result of fraud, criminal conduct or human error. The Central Bank works to ensure that our system of supervision is kept under continuous review, and that where systemic issues arise, we take corrective action swiftly to ensure detriment to consumers is redressed.

In all of the above, a credible threat of enforcement will continue to underpin our powers to protect consumers of financial services. We take robust enforcement action aimed at promoting principled and ethical behaviour by and within regulated financial services providers. Transparent and strong action where entities or individuals fall short of required standards both recognises that not all conduct risk can be identified before it materialises, and helps to deter poor practices, achieve compliance and encourage the behaviour we expect.

Appendix 1:
Evolution of Regulation and Supervision since the Crisis

The Central Bank has a statutory mandate to ensure that the best interests of consumers are protected. Our vision is a trusted financial system supporting the wider economy where firms and individuals adhere to a culture of fairness and high standards. This vision is backed up by comprehensive legislation, assertive and risk-based supervision, a credible threat of enforcement and powers of redress when consumers have suffered detriment – all of which have been significantly enhanced since the financial crisis.

In the initial period after the crisis struck, the Central Bank's focus was on strengthening the solvency and stability of the banking sector and enhancing protections for consumers. In more recent years, the focus widened to consider cultural issues, in recognition of the extent to which culture within firms contributed to the crisis.

Approach to Supervision

The crisis prompted the European Union to move towards a more integrated European regulatory system, to ensure that rules were applied in a rigorous and consistent fashion throughout the EU, to monitor developments within the financial system and to detect potential risks to financial stability. European banking reforms have resulted in greater supervisory convergence and the establishment of the Single Supervisory Mechanism and the Single Resolution Board.[48]

At national level, the Central Bank moved to more assertive, risk-based supervision supported by the Probability Risk and Impact SysteM (PRISM). Under PRISM, the most significant firms - those with the ability to have the greatest impact on financial stability and the consumer - receive a high level of supervision under structured engagement plans, leading to early interventions to mitigate potential risks.

Strengthening the regulatory frameworks

At global, European and national level, regulators significantly strengthened the regulatory framework. Global and European initiatives included strengthening both the prudential framework across financial services sectors – including enhancing requirements in relation to solvency, quality of capital, loss absorption capacity and liquidity – and the recovery and resolution regimes.[49]

As well as European legislative changes which applied to Irish regulated financial services providers, the Central Bank also made changes domestically, including:

- The introduction of the F&P Regime, which seeks to ensure that persons in senior positions within regulated financial services providers are competent and capable, honest, ethical and of integrity and also financially sound; and
- The introduction of Corporate Governance Requirements, which set minimum core standards on credit institutions and insurance undertakings, and additional requirements upon those firms designated as high-impact by the Central Bank to

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[48] The Bank Recovery and Resolution Directive ('BRRD') was introduced in light of concerns that insufficient tools and resources existed at EU-level to deal effectively with failing banks and investment firms.

[49] Capital Requirements Directive and Regulation ('CRD IV'), applies to banks and some investment firms, Solvency II is relevant to the insurance and reinsurance sectors and Markets in Financial Instruments Directive ('MiFID') and its successor, MiFID II, applies to investment firms.

ensure that appropriate and robust corporate governance frameworks are in place and implemented to reflect the risk and nature of those firms.

Protecting consumers:

In tandem with the above reforms, a series of changes were made at international and national level to strengthen the consumer protection framework.

European legislation, which the Central Bank helped to shape, improved protections for consumers in the areas such as mortgage credit, payment services, insurance distribution and investments. The Central Bank played an active role in the work of the three European Supervisory Authorities – the EBA, ESMA and EIOPA - and other international bodies.

The Central Bank contributed to the development by the EBA of detailed guidelines on product oversight and governance arrangements for the retail banking products including mortgages, personal loans, deposits, payment accounts, payment services, and electronic money. The guidelines provide a framework for robust and responsible product design and distribution by manufacturers and distributors.[50] The EBA also published guidelines on sound remuneration policies, applying to credit institutions, CRD IV investment firms and competent authorities.[51] The guidelines set out, *inter alia*, that an institution's remuneration policy for all staff should be consistent with the objectives of the institution's business and risk strategy, corporate culture and values, long-term interests of the institution, and the measures used to avoid conflicts of interest, and should not encourage excessive risk taking. The guidelines stipulate that 'the management body in its supervisory function… should be responsible for adopting and maintaining the remuneration policy of the institution, and overseeing its implementation to ensure it is fully operating as intended.'

Domestically, among other reforms, the Central Bank:

- Enhanced the existing Consumer Protection Code and minimum competency requirements;

- Strengthened the protections for mortgage holders through the introduction and subsequent enhancement of the Code of Conduct on Mortgage Arrears (the 'CCMA');

- Introduced further conduct of business requirements with which regulated firms must comply in their dealings with SME borrowers through the SME Lending Code and subsequent SME Lending Regulations;

- Introduced a Code of Conduct on the Switching of Current Accounts with Credit Institutions, which was subsequently revised following the transposition of the EU Payment Accounts Directive in 2016 to become the Code of Conduct on the Switching of Payment Accounts with Payment Service Providers; and

[50] European Banking Authority (2015). 'Guidelines on product oversight and governance arrangements for retail banking products' - see: www.eba.europa.eu/documents/10180/1141044/EBA-GL-2015-18+Guidelines+on+product+oversight+and+governance.pdf)

[51] European Banking Authority (2016). 'Guidelines on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013'. See: www.eba.europa.eu/documents/10180/1314839/EBA-GL-2015-22+Guidelines+on+Sound+Remuneration+Policies_EN.pdf

- Published Guidelines on Variable Remuneration Arrangements for Sales Staff, seeking to ensure firms' arrangements focused on encouraging the right culture and behaviour in sales staff, while actively discouraging poor practices.

Notwithstanding the strengthening of the consumer protection framework, it was recognised that the absence of a consumer-focused culture presented the greatest risk to achieving long-term, sustainable and positive outcomes for consumers. Accordingly, how best to achieve this became an increasing area of focus, both for the Central Bank and regulators globally. The Central Bank shared the view of other regulators that culture could not be changed simply by introducing rules alone – there had to be a clear onus on senior management of firms to take responsibility for and drive cultural change from within.

The Central Bank developed the '5Cs' framework with a specific focus on culture. This framework 'puts the **Consumer** at its centre, where the focus of firms must be on delivering positive consumer outcomes within a regulatory framework that is fit for purpose. This can only be achieved where firms have a consumer-focused **Culture** which enables consumers to have **Confidence** in both the financial decisions they are making and the firms they are dealing with. The Central Bank will continue to **Challeng**e firms where their focus is not on those consumer outcomes. There is a need and appetite for appropriate regulatory action where **Compliance** standards are not being met.'

Recognising the fundamental importance of risk management in achieving the shift towards effective culture, the Central Bank announced a new supervisory tool - the CPRA Model – to assist supervisors in assessing how risks to consumers are being identified and managed within firms.

Credible Threat of Enforcement

In all of the above, a credible threat of enforcement underpins our powers to protect consumers of financial services. We take robust enforcement action aimed at promoting principled and ethical behaviour by and within regulated financial services providers. Transparent and strong action where entities or individuals fall short of required standards helps to deter poor practices, achieve compliance and encourage the behaviour we expect. We take action where firms or individuals have breached provisions in prescribed legislation, a code, or a condition, requirement or obligation imposed by the Central Bank. Since 2006, the Central Bank has concluded 118 investigations through the Administrative Sanctions Procedure. This has resulted in the sum of over €61 million being imposed by way of monetary sanctions.

Since the financial crisis, our enforcement powers have been enhanced. First, the Central Bank Reform Act 2010 gave the Central Bank consolidated and enhanced powers under the F&P Regime to remove individuals performing controlled functions and pre-approval controlled functions from industry, or to prevent individuals from performing pre-approval controlled functions, where they do not meet the F&P Standards issued by the Central Bank. Second, the Central Bank's powers under the ASP to administer sanctions in response to regulatory breaches by regulated financial services providers and persons concerned in their management were significantly enhanced by the Central Bank (Supervision and Enforcement) Act 2013. The 2013 Act increased the level of fines that can be levied under the ASP and provided the Central Bank with a consolidated set of authorised officer powers, the power to obtain an Enforcement Order, and the power to require that appropriate redress be made to customers that have suffered or will suffer loss as a result of widespread or regular breaches by a regulated financial services provider.

The period 2013-2014 also brought about significant change for enforcement in the European sphere with the commencement of the SSM. Since 4 November 2014 the Central Bank has pursued cases relating to breaches of prudential regulation by credit institutions (classified as 'Significant Institutions') on the instruction of and/or in conjunction with the European Central Bank. This close cooperation with our European counterparts ensures the achievement of effective enforcement outcomes, and that appropriate penalties are imposed in such cases.

Appendix 2: Diversity and Inclusion Assessments – Methodology and Further Detail

Scope and methodology

Scope

The scope of the Diversity and Inclusion Assessments considered a range of elements of diversity. However, there are limitations in the quantitative evidence available, which is limited to extrinsic aspects such as gender and age. The scope of work focused on:

- Current levels of diversity in the five retail banks in terms of gender, educational background, experience, etc.;
- The banks' approaches to diversity, including how it is prioritised; areas of focus, policies, procedures, action plans; and the evidence of board, executive committee and management level focus on them;
- Commitments and targets to the extent they exist; and
- Opportunities for improvements.

Methodology

This work was undertaken by way of a desk-based review. A number of sources of data were utilised as follows:

- Documents were submitted to the Central Bank for review, such as
  - details of board and committee structures;
  - minutes from board and executive committee meetings;
  - diversity and inclusion frameworks, policies and procedures; and
  - annual reports and financial statements for each institution.

- A customised questionnaire was created by the Central Bank and circulated to each institution for completion.

- The Central Bank undertook a review of the 211 applications for PCF roles that had been submitted by the relevant institutions for approval under the F&P Regime since 2012.

Observations from review of PCF Applications

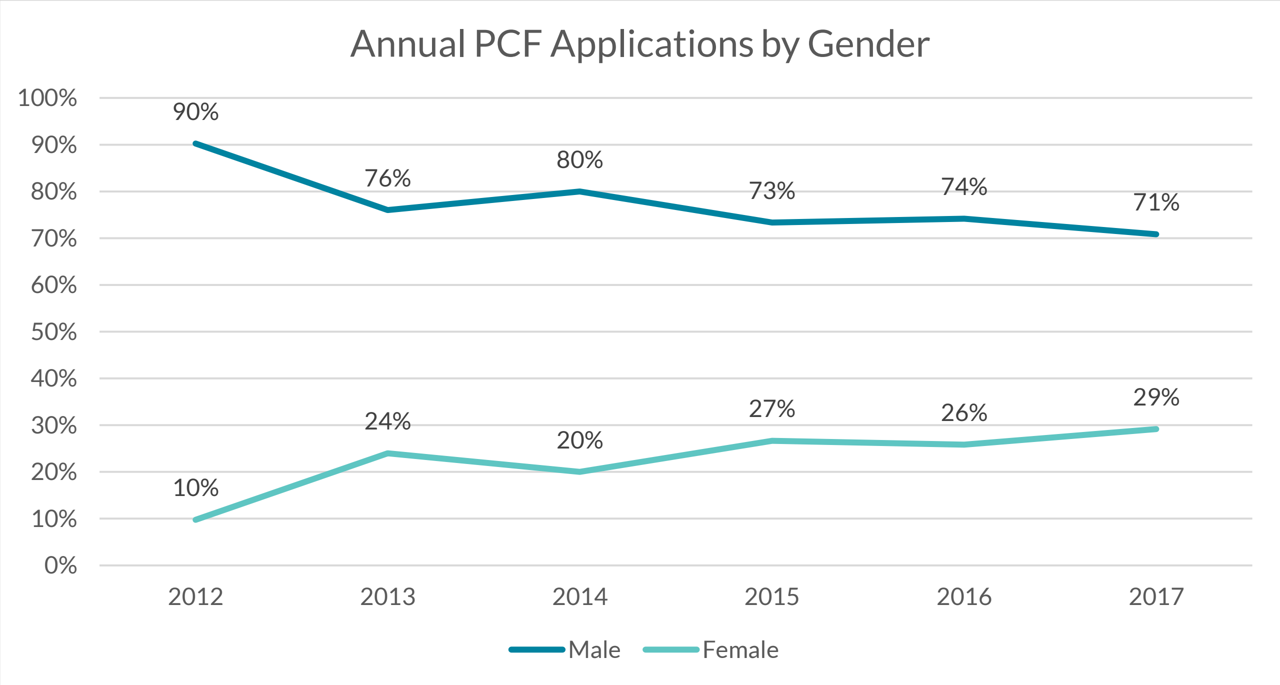
The five banks submitted 211 PCF applications from 2012 to 2017. These applications have been assessed considering extrinsic factors such as gender, age, nationality and educational background. [52]

[52] This analysis is based on PCF applications submitted to the Central Bank between 2012 (inception of the F&P regime) and 2017. As some of those currently in PCF roles were in situ prior to 2012, this analysis does not present an analysis of current levels of diversity across PCF roles.

Gender Analysis

In 2012, 90% of PCF applications were for men with only 10% for women. The imbalance reduced sharply in 2013, coinciding with the introduction of the new Corporate Governance code, which included for the first time a requirement to consider diversity.[53]

The highest percentage of PCF applications for women by any one bank during the period was 27%, the lowest 18%. Although some progress has been made, it is marginal.

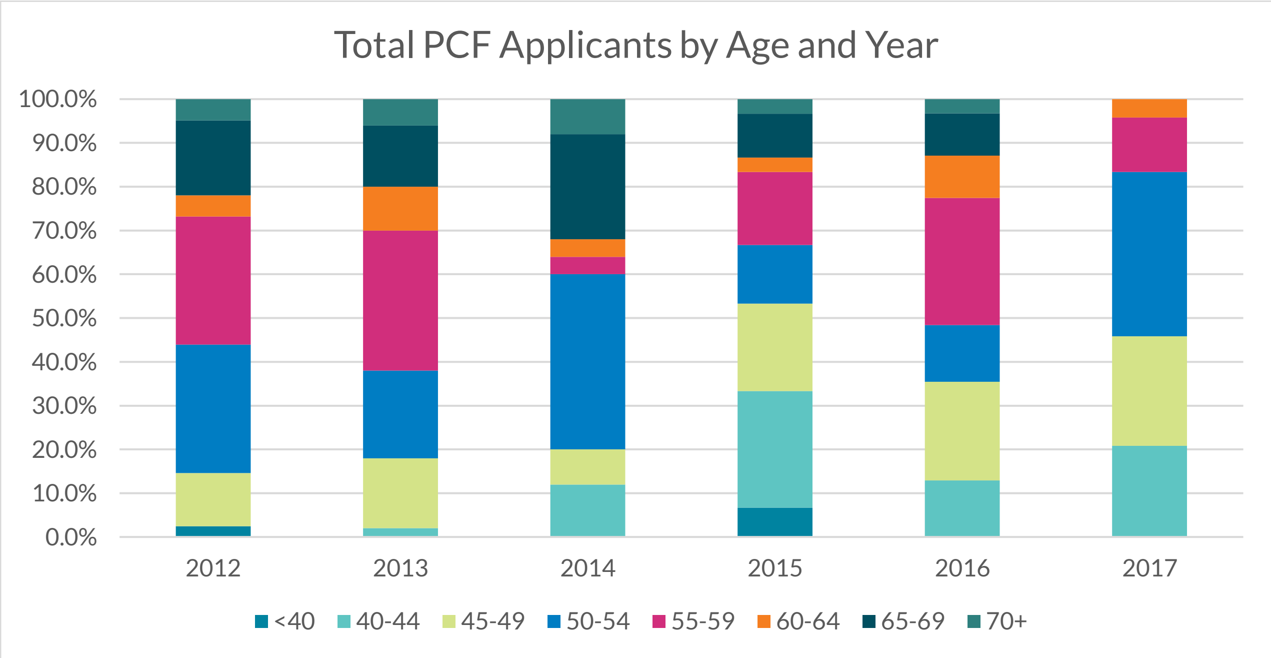


Age Analysis

From an age perspective, the 45-59 age grouping accounted for 64% of total applications. A spike is also observed in the 65-69 age bracket, predominantly driven by one bank, which had a high proportion of applicants in this segment.

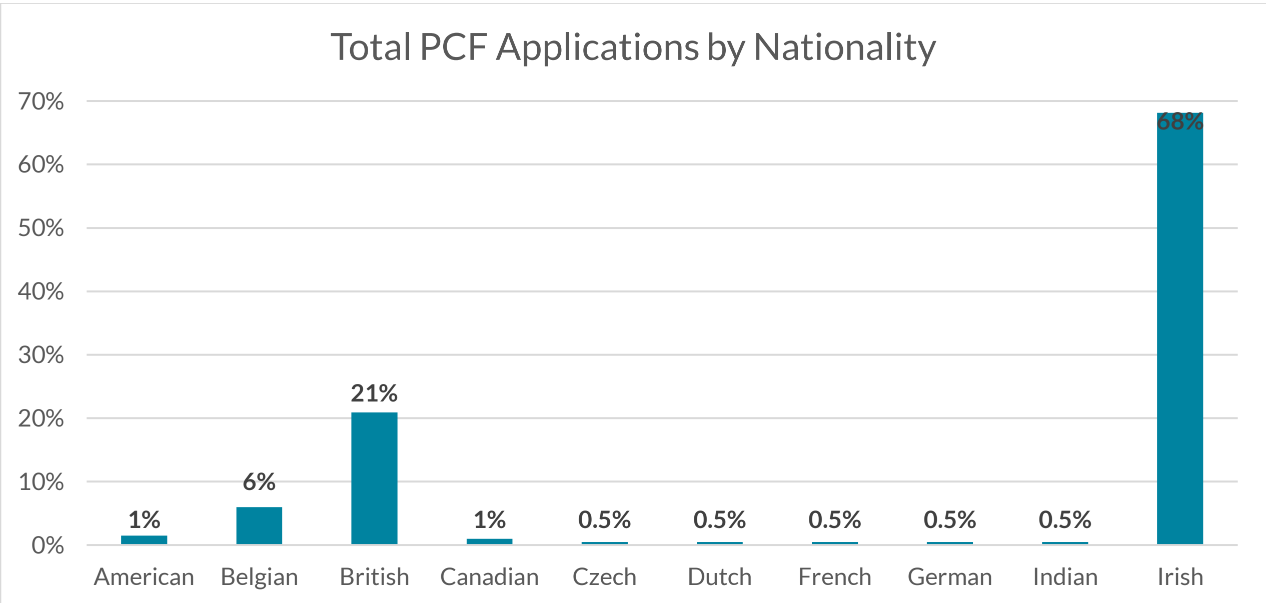
Between 2015 and 2017, the proportion of applications in the 40-49 age bracket substantially increased compared to prior years. This may be indicative of changing demographics within the sector or potentially a stronger focus on diversity across the sector. There are no specific correlations between age and gender, with the ratio of female to male applications relatively consistent across all age demographics. The exception to this is in the 65+ segment, where only one female application was received.

[53] www.centralbank.ie/docs/default-source/publications/cp69/2013-corporate-governance-code-for-credit-institutions-and-insurance-undertakings.pdf?sfvrsn=4 – Section 14.9.



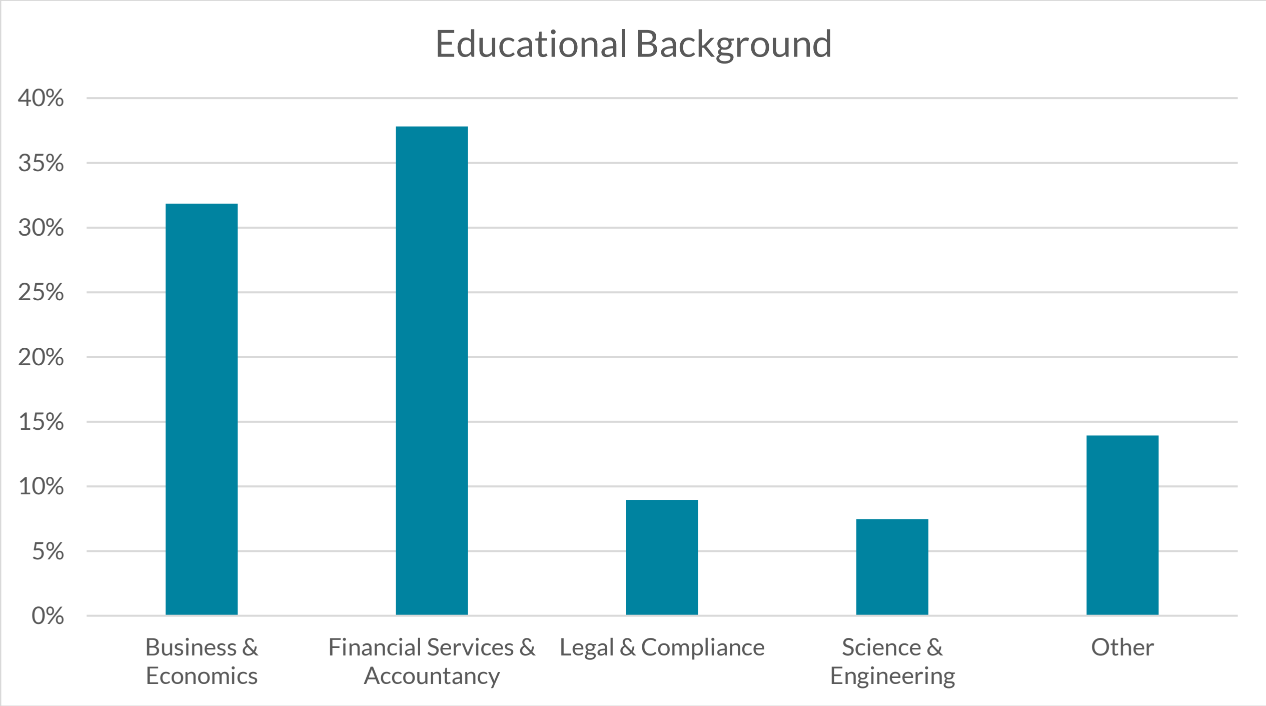
Nationality Analysis

We have undertaken analysis from a nationality perspective. We do not collect data on ethnicity as part of the PCF application process. The majority of applications (68%) came from individuals of Irish nationality. British nationality is the next largest making up 21% of applications with other European nationalities accounting for 8%.



Educational background

The majority of applicants have a financial services, accountancy, business or an economics background. 'Other' accounts for 14% of applications and covers areas such as the arts and general management. Most applicants are educated to a university level and/or hold professional qualifications and have spent at least a portion of their time studying at an Irish university.


Educational Background
40%
35%
30%
25%
20%
15%
10%
5%
0%
Business & Economics
Financial Services & Accountancy
Legal & Compliance
Science & Engineering
Other

Appendix 3: DNB methodology as used in the Behaviour and Culture Reviews – Further Detail

The approach used, derived from the methodology of De Nederlandsche Bank, is characterised by the following characteristics:

- Focus on the level of the group and on the dynamics between the people therein – instead of assessing individuals.
- Risk perspective: not prescribing 'one good culture', but aimed at identifying behavioural patterns that may affect the way consumers' interests are considered and taken into account in decision-making.
- Multi-method approach:
    - Triangulation to promote reliable results - use of multiple, quantitative and qualitative research methods.
    - Multiple-eyes principle applied to data collection: two (or more) examiners present at each interview and observation.
    - Data gathered is analysed from different perspectives, by teams with examiners with mixed backgrounds (e.g. organisational psychologists)
    - A structured, software-assisted process of qualitative data analysis is employed.
    - Analysis is subjected to rigorous internal challenge in which peers critically review interpretations.
- Key sources of data are the perceptions of the interviewees and survey respondents.
- The approach distinguishes and examines three layers of organisational behaviour and culture (based on the work of Edgar Schein), from readily visible acts (behaviour in terms of Decision-Making, Leadership and Communication) to underlying Group Dynamics and Mindset.
- Behaviour and culture are examined by taking into account the external context in which the organisation operates.

Appendix 4: Further reading

In tandem with the increased focus by regulators on Behaviour and Culture in recent years, there is a large and developing literature on the subject. For those who wish to undertake further reading, the following is a short but not exhaustive list of publications that may be of interest and assistance. These capture, *inter alia*, evolving work by the Central Bank on conduct and consumer protection issues in recent years; work by the European regulatory system to which the Central Bank contributed; other work by global regulators, including official inquiries into misconduct issues; and independent research by academics, think-tanks and agencies and advisory groups:

Global regulatory publications:

- De Nederlandsche Bank (2015). Supervision of Behaviour and Culture: Foundations, Practice and Future Developments.
- Financial Stability Board (2018). Strengthening Governance Frameworks to Mitigate Misconduct Risks: A Toolkit for Firms and Supervisors.
- Financial Stability Board (2017). Chair's Letter to G20 Leaders – Building a Safer, Simpler and Fairer Financial System.
- Group of Thirty (2015). Banking Conduct and Culture: A Call for Sustained and Comprehensive Reform.
- G20 Finance Ministers and Central Bank Governors/OECD (2011). G20 High Level Principles on Financial Consumer Protection.
- UK Financial Conduct Authority (2018). Transforming Culture in Financial Services – Discussion Paper (DP18/2).

Inquiries, reports and studies:

- Australian Prudential Regulation Authority (2018). Prudential Inquiry into the Commonwealth Bank of Australia.
- House of Lords & House of Commons (2013). Changing Banking for Good: Report of the Parliamentary Commission on Banking Standards - Volume 1.
- Commission of Investigation into the Banking Sector in Ireland (2011). Misjudging Risk: Causes of the Systemic Banking Crisis in Ireland
- Regling, K and Watson, M (Year). A Preliminary Report on the Sources of Ireland's Banking Crisis.
- Honohan, P (2010). The Irish Banking Crisis: Regulatory and Financial Stability Policy 2003-2008.
- Dutch Authority for the Financial Markets (2017). Learning from Errors; Towards an Error Management Culture – Insights Based on a Study in the Capital Markets.
- Dutch Authority for the Financial Markets (2017). Balanced Decision-Making: Dealing with Blind Spots – A Study within Management of Small and Medium-Sized Banks.

Central Bank of Ireland publications:

- Central Bank of Ireland (2018). Annual Report and Annual Performance Statement 2017.
- Central Bank of Ireland (2018). Response to Law Reform Commission Issues Paper 'Regulatory Enforcement and Corporate Offences'.
- Central Bank of Ireland (2017). A Guide to Consumer Protection Risk Assessment.

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