



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Consultation Paper

Amendments to the Fitness and Probity Regime (CP160)

April 2025

Chapter 1: Introduction

1.1 Background and Objectives

The Central Bank regulates the financial sector to ensure it is operating in the best interests of consumers and the wider economy. We do this by working to support positive outcomes, so that the sector contributes to the economic wellbeing of our citizens through good times and bad. This requires ensuring that financial firms are resilient and well run, delivering in the best interests of their customers.

The Central Bank of Ireland (the Central Bank) introduced the Fitness and Probity (F&P) Regime in 2011, with the aim of ensuring that individuals in key, and customer-facing, roles in regulated firms are competent and capable, honest, ethical and of integrity, and financially sound.

The F&P Regime is aligned with relevant European regulatory frameworks and has been viewed positively during reviews by other authorities (e.g. the 2019 EIOPA Peer Review on propriety of administrative, management or supervisory body members and qualifying shareholders¹, and the 2022 IMF Financial Sector Assessment Program-Technical Note on Banking Supervision²). The F&P Regime has also been credited with raising the bar for the entry in key positions in the financial industry³.

Since the introduction of the F&P Regime, the global financial system has rapidly evolved and the Irish financial services industry has significantly grown in size, complexity and interconnectedness. As a result, the entities and activities falling within the remit of the Central Bank have similarly grown in scale and complexity in recent years. Over time, the F&P Regime has been incrementally extended in line

¹ https://www.eiopa.europa.eu/document/download/84be5c1c-231f-4911-adc9-371bc91633b5_en?filename=Results%20of%20the%20Peer%20Review%20on%20Property%20of%20Administrative%2C%20Management%20or%20Supervisor%20Body%20Members%20and%20Qualifying%20Shareholders

² <https://www.imf.org/en/Publications/CR/Issues/2022/07/25/Ireland-Financial-Sector-Assessment-Program-Technical-Note-on-Banking-Supervision-521272>

³ https://www.centralbank.ie/docs/default-source/regulation/how-we-regulate/fitness-probity/communications-publications/fitness-and-probity-review-by-andrea-enria.pdf?sfvrsn=ab7c611a_9

with the increasing complexity of management structures and with the breadth of the Central Bank's mandate.

During the same period, there have been a number of developments within the overall regulatory framework that are of relevance. The Central Bank has introduced corporate governance requirements for certain sectors⁴, and the Oireachtas has introduced the Individual Accountability Framework. These developments, together with the F&P Regime, aim to drive improved responsibility for, and ownership of, proper and transparent governance within regulated firms.

The onus is on regulated firms in the first instance to ensure compliance with the F&P Regime, and the implementation of related corporate governance and the Individual Accountability Framework. It is incumbent on the Central Bank to ensure that these frameworks are transparent, predictable, and proportionate, and to ensure that the connection between the frameworks is clearly set out. To achieve this, the Central Bank aims to increase transparency, and to ensure clarity and understanding, through the provision of guidance about the application of fitness and probity standards and the other governance related requirements, the interaction between such requirements, and the Central Bank's related processes.

1.2 The review of the F&P Regime and the Enria Report

Given the length of time that has passed since the initial introduction of the F&P Regime and cognisant of the Irish Financial Services Appeals Tribunal decision in 2024⁵, the Central Bank commissioned an external review of the F&P Regime. The reviewer was requested to consider the transparency, efficiency and effectiveness of the Central Bank's operation of the F&P Regime, considering the purpose and objectives of this regime to support the safety and soundness of firms, threats to consumer and investor protection and the stability of the system overall. Mr Andrea Enria, former Chair of ECB Supervisory Board, undertook an independent

⁴ [Credit institutions, insurance and reinsurance undertakings, captive insurance and reinsurance undertakings, and investment firms and market operators](#)

⁵ <https://www.ifsat.ie/decisions/ab-v-the-central-bank-of-ireland/>

review in 2024 and his report (the Enria Report) was published by the Central Bank in July 2024⁶.

The Enria Report contains a package of 12 recommendations, all of which were accepted by the Central Bank. The recommendations are wide-ranging in relation to the F&P Regime and the Central Bank's implementation of that regime. The Central Bank has published a report⁷ detailing its responses in respect of each of the Enria recommendations.

1.3 This Consultation Paper

This Consultation Paper (CP160) addresses those Enria recommendations that call for increased clarity and transparency of supervisory expectations in relation to the application of the Central Bank's Fitness and Probity Standards (Chapter 2), and includes a review of the list of prescribed pre-approval controlled functions (PCFs) (Chapter 3).

The Central Bank welcomes the views of stakeholders with regard to the proposals set out in CP160, and specifically the questions posed in Chapter 4, via CP160@centralbank.ie before 10 July 2025.

⁶ https://www.centralbank.ie/docs/default-source/regulation/how-we-regulate/fitness-probity/communications-publications/fitness-and-probity-review-by-andrea-enria.pdf?sfvrsn=ab7c611a_9

⁷ Implementation Report - <https://www.centralbank.ie/docs/default-source/regulation/how-we-regulate/fitness-probity/fitness-and-probity-review-report-on-implementation-of-recommendations.pdf>

Chapter 2: Revised Guidance on the Standards of Fitness and Probity

The Central Bank Reform Act 2010 (the 2010 Act) provides the Central Bank with the power to issue a code setting out standards of fitness and probity for the purposes of Part 3 of the 2010 Act. This code (i.e. the Fitness and Probity Standards⁸ and the Fitness and Probity Standards for Credit Unions⁹) is the primary document published by the Central Bank to underpin the F&P Regime to require that individuals carrying out relevant roles must be:

- competent and capable;
- honest, ethical and to act with integrity; and
- financially sound.

In addition to the Fitness and Probity Standards, the Central Bank has published supplementary materials to aid understanding with regard to the application of the standards and the operation of the F&P Regime. Specifically, since the introduction of the F&P Regime in 2011, the Central Bank has provided detailed Guidance on the F&P Standards, which sets out the Central Bank's expectations on how firms should comply with the requirements of the F&P Regime. Over time, the Central Bank has provided additional guidance (e.g. by way of FAQs) or reaffirmed its expectations with regard to compliance with the requirements as a result of regulatory developments or the findings of thematic inspections (e.g. through the issuance of Dear CEO letters).

In line with recommendations made by the Enria Report, the Central Bank is consolidating all the guidance into a single document¹⁰ and, additionally, is introducing a number of enhancements to its existing Guidance on the F&P

⁸ <https://www.centralbank.ie/docs/default-source/regulation/how-we-regulate/fitness-probity/regulated-financial-service-providers/fitness-and-probity-standards.pdf?sfvrsn=6>

⁹ https://www.centralbank.ie/docs/default-source/regulation/how-we-regulate/fitness-probity/credit-unions/fitness-and-probity-standards-for-credit-unions.pdf?sfvrsn=d5a2d51d_2

¹⁰ Which will be applicable to all in scope firms including credit unions.

Standards¹¹. This revised Guidance provides a clear, transparent and comprehensive articulation of the overall framework for the assessment of fitness and probity of relevant roles. The draft revised Guidance is appended to this Consultation Paper.

Specifically, the Central Bank proposes to ensure industry understanding of the F&P assessment process by:

- a) identifying and incorporating objective measures (e.g. specific qualifications, experience requirements and time commitments) and role summaries for certain PCFs to the extent that they are utilised within the assessment process;
- b) addressing conflicts of interest by including specific provisions on identifying, managing and mitigating conflicts of interest;
- c) clarifying the way in which collective suitability and diversity within boards and management teams are assessed; and
- d) outlining the approach to be adopted in determining the relevance of past events to an individual's application.

2.1 Objective measures

Given the range of sectors supervised by the Central Bank, the varying nature, scale and complexity of firms within these sectors, and the number and variety of PCF roles assessed, it is not possible to provide an exhaustive list of objective criteria for use in the fitness and probity assessment process. However, the revised Guidance incorporates high-level expectations in relation to the:

- inherent responsibilities, and role summaries, of certain PCFs;
- time commitments of specific PCFs ;
- level of experience required for specific PCFs; and
- level of knowledge/qualifications required for specific PCFs.

¹¹ Noting the similarities between the Fitness and Probity Standards and the Fitness and Probity Standards for Credit Unions, these documents are also being consolidated at this time, however their content remains unchanged. The consolidated standards will be published following the consultation period.

In providing this Guidance, the Central Bank has focused on executive, non-executive, independent non-executive directors, and heads of the control functions, given the importance of these roles.

The expectations are set out in Chapter 4 of the draft Guidance and predominantly emanate from existing requirements, standards or guidance, or are reflective of existing best practice.

Inherent Responsibilities

The inherent responsibilities contained within the draft Guidance derive from the SEAR Regulations¹². The inherent responsibilities define relevant roles in broad terms and the Central Bank considers that they are relevant for all such roles across all sectors.

Role summaries

The Central Bank regularly communicates the importance it attaches to the role of the board, and of non-executive directors (NEDs) and independent non-executive directors (INEDs). The Central Bank regards INEDs, in particular, as an integral component of the board of a firm and a fundamental safeguard within a firm's governance framework. Accordingly, the Central Bank considers it appropriate to provide additional clarity with regard to its minimum expectations in respect of these role holders. The draft Guidance provides a summary of the role of executive, non-executive and independent non-executive directors, and provides additional clarity with regard to the definition of independence (derived from the Central Bank's corporate governance requirements). In the case of sectors where corporate governance requirements are not prescribed, the draft Guidance reflects the Central Bank's view that this definition constitutes best practice, and is therefore relevant for application to individuals in all sectors in a proportionate manner.

¹² And the Credit Union Act, 1997 where applicable

Further, the Central Bank has provided its high-level expectations with regard to the role of heads of control functions, which emanate from existing corporate governance requirements, sectoral requirements or European guidelines.

Levels of experience

There are many variable factors to be considered in an assessment of the appropriate level of experience an individual should hold before appointment to a role (such as, for example, the nature, scale and complexity of the firm in which the individual held/holds the role(s), the actual responsibilities held). For that reason, the draft Guidance is not definitive regarding minimum years of experience required for any given role¹³. However, the draft Guidance includes high-level expectations for specific roles and notes that, for example, the ECB have set thresholds for the presumption of sufficient experience for the CEO, Chair and board members (executive and non-executive) which apply in the case of the banking sector. Chapter 4 of the draft Guidance describes a benchmark for other regulated firms that can be used as a guide, acknowledging that for smaller, less complex firms shorter periods may be considered appropriate. There will also be specific circumstances where an individual does not hold the years' of experience set out, but may nevertheless be considered suitable for the role due to, for example, firm or role specific factors that should be taken into account.

Where an individual's level of experience is in line with or in excess of the benchmark set out, a firm can generally regard that as sufficient experience, except in situations where there may be, nevertheless, residual concerns, for example where the firm has concerns about the quality of the experience gained by an applicant in another role.

Qualifications

To the extent that specific qualifications are required, or considered beneficial, to a given role, such qualifications have been identified within the draft Guidance.

¹³ Except in the case of the Head of Actuarial Function

Time commitments

All F&P assessments must include an assessment of the amount of time that an applicant is proposing to give, or can give, to fully discharge the responsibilities of the role. The draft Guidance sets out the Central Bank's expectations in relation to time commitments, based on applicable corporate governance requirements. In the case of sectors where such requirements are not directly applicable, the draft Guidance reflects the Central Bank's view that such requirements constitute best practice, and are therefore relevant for application to individuals in such sectors in a proportionate manner.

2.2 Conflicts of interest

The Central Bank considers it imperative that individuals in PCF roles operate without bias, and avoid or identify and appropriately manage, conflicts of interest. The Central Bank's expectations with regard to the assessment of conflicts of interests have been clarified within the draft Guidance.

The existence of a conflict of interest does not necessarily mean that an applicant is not fit or proper for a role as this will depend on the materiality of the conflict and whether it can be adequately mitigated or managed. Conflicts of interest should be assessed on a case-by-case basis.

2.3 Collective suitability, diversity and inclusion

In order to provide efficient and effective oversight, the board of a regulated firm needs to possess adequate collective knowledge, and diversity of skills and experiences to be able to understand the firm's activities, including the main risks. Sufficient diversity leads to a broader range of experience, knowledge, skills and values, and is one of the factors that mitigates the phenomenon of 'group-think'. A more diverse board can facilitate independent opinions and constructive challenging in the process of decision-making. In order to achieve diversity, firms should respect the principle of equity and equality of opportunities. This would assist firms in taking measures to ensure a more diverse pool of candidates for positions within the board.

The draft Guidance has been amended to reaffirm the importance the Central Bank attaches to the collective suitability of boards, and to diversity within the collective suitability of the board. The draft Guidance outlines that collective suitability of the board is the responsibility of regulated firms.

The draft Guidance acknowledges that while the diversity of the board is not a criterion for the assessment of an individual's fitness and probity, diversity should be taken into account by firms when selecting and assessing members of the board in the context of collective suitability.

2.4 Relevance of past events to an application

The draft Guidance provides an outline of the approach to be adopted in relation to considering past events in the context of a PCF application. In summary, the draft Guidance proposes that it is sufficient for firms not to investigate beyond a 'look-back period' of 10 years (save where a custodial sentence may have been imposed), and where there are no other facts that raise concerns regarding the individual's fitness and probity.

Chapter 3: Changes to the list of Pre-Approval Controlled Functions (PCFs)

Fitness and Probity – designation of PCFs

The Central Bank regulates the financial sector to ensure it is operating in the best interests of consumers and the wider economy. We do this by working to support positive outcomes, so that the sector contributes to the economic wellbeing of our citizens through good times and bad. This requires ensuring that regulated firms are resilient and well run.

In order for regulated firms to be well run, firms must ensure that all individuals appointed to ‘controlled functions’ have been assessed by the firm as being fit and proper. A ‘controlled function’ is defined in Central Bank Regulations¹⁴, and includes functions where the person responsible for their performance could exercise a significant influence on the conduct of a firm’s affairs, and functions where the person responsible is providing services to customers.

The Central Bank has identified certain controlled functions as critical because they enable the holder to exercise a significant influence on the conduct of a regulated firm’s affairs, and has prescribed that appointments to those roles will require the pre-approval of the Central Bank¹⁵. These roles are known as ‘pre-approval controlled functions’ or ‘PCFs’¹⁶.

A firm cannot appoint an individual to a PCF role until the Central Bank has approved that individual’s appointment in writing¹⁷.

The Central Bank processes approximately 3,000 approvals for appointments to PCFs every year. This process can include requests for supplementary information

¹⁴ Central Bank Reform Act 2010 (Sections 20 And 22) Regulations 2011

¹⁵ Including, for these purposes, financial holding companies.

¹⁶ Under the Central Bank Reform Act 2010 (Sections 20 and 22) Regulations, 2011 (as amended) and under the Central Bank Reform Act 2010 (Sections 20 and 22 - Credit Unions) Regulations 2013.

¹⁷ Central Bank Reform Act 2010, Section 23. The ECB is responsible for the approval of certain PCF roles in credit institutions.

from the Central Bank, due diligence research, and in-person interviews with proposed appointees. This requires a significant commitment of resources from regulated firms, and within the Central Bank.

An opportunity for improvement

Since the introduction of the Fitness and Probity regime 14 years ago, the rules and expectations on firms and their obligations under this regime have been improved and clarified. The enhanced Guidance on the Standards of Fitness and Probity (see Chapter 2), as well as existing Corporate Governance Requirements and responsibilities introduced in respect of PCFs by the Individual Accountability Framework, provide regulated firms with a comprehensive guide for ensuring the proper assessment of the fitness and probity of firms' officers, employees and agents, including those that are PCFs.

In clarifying the Central Bank's expectations of firms when appointing individuals to controlled functions, there is now an opportunity to look again at what roles have been designated for Central Bank pre-approval. We agree with the recommendation of the Enria report that this opportunity will allow us to reconsider the overall number of PCF roles and a possible adjustment in the approach to different industry sectors.

The rationale for designating a role as a PCF is ultimately to contribute to the well running of firms. The choice of person to fulfil these roles is a matter for firms. However, the influence that PCF roles have on the strategy, governance, management and culture of firms is significant. The Central Bank's consideration of what roles must be pre-approved reflects this potential significance, but also involves a consideration of the responsibility that firms themselves have to successfully establish a well run firm. There needs to be a balance between the benefits of the additional scrutiny of PCF applications and avoiding imposing an undue burden on the regulated financial services industry.

The Central Bank is therefore committed to undertaking a substantive review of PCF roles and is considering to what extent the roles on the PCF list are, today, appropriate for designation as PCFs, with a view to ensuring that the level of

Central Bank gatekeeping is calibrated appropriately. However, given the list of PCFs is embedded in the Senior Executive Accountability Regime ('SEAR') - which is in its early stages of introduction – it would not be appropriate so soon after coming into effect to change the list of PCFs within the SEAR. We propose, therefore, to take a two-stage approach to our review of the overall number of PCF roles. Firstly, an initial targeted revision of the PCF list, as proposed below. Secondly, we will work throughout 2025 and 2026 on a more substantive review to be coordinated with the planned three-year review of the SEAR in 2027.

First stage changes

Ahead of the conclusion of a substantive review, as a first step, we are proposing an initial re-structure of the PCF Regulations to make the PCF list more manageable and clearer for firms. We propose to remove the sector-specific categorisations so that there will be one list of PCFs that applies to all regulated firms (other than credit unions¹⁸). This has resulted in the merging of a number of roles, as well as the renaming of certain functions, reducing the number of PCF roles to 45, from 59. This proposed revised list is as set out in the Annex.

This reframing of the PCF list will not necessitate the appointment of new PCFs by regulated firms.

A firm is not required to create a PCF for the sole purposes of complying with its obligations under the F&P Regime where the role did not previously exist.

However, there will be instances whereby a role that was previously categorised for pre-approval only for certain industry sectors, now becomes applicable to other sectors¹⁹. In such cases, the Central Bank will apply its *in-situ* process for any individuals occupying such a role at the time of the amendments to the PCF list. New appointments to any such role will be subject to the PCF approval process.

When implemented, these changes to the overall PCF list will impact on existing processes. The Central Bank will outline clearly and in advance for firms any related changes to processes following the completion of this consultation. Our

¹⁸ As the separate PCF list will remain for credit unions.

¹⁹ For example, Head of Safeguarding/Client Asset Oversight.

intention is that this revision of the PCF list will not impact existing approvals, or applications in process.

Stakeholders are invited to comment on these first stage changes as part of this Consultation. We also welcome views from stakeholders on the approach of the Central Bank to the forthcoming second stage substantive review.

Chapter 4: Questions

The aim of this Consultation is to increase transparency and comprehension, through the provision of additional clarity regarding the application of fitness and probity standards and other governance related requirements. These proposals predominantly relate to the consolidation of pre-existing materials and existing positions adopted by the Central Bank. The views of stakeholders are nevertheless sought on areas where change is proposed. In particular, the Central Bank would welcome responses to the following questions.

1. (a) Do you agree with the proposed revision to the draft Guidance?
- (b) Are the enhancements to the draft Guidance useful to you?
- (c) What other elements could the Central Bank include within the draft Guidance?
2. (a) Do you agree with the proposed revisions to the PCF list?
- (b) Have you identified any issues with this revision?

Annex: The Proposed Revised PCF List

Pre-Approval Controlled functions (PCFs) for Regulated Financial Service Providers other than Credit Unions			
1	PCF-1	Executive director	
2	PCF-2A	Non-executive director	
3	PCF-2B	Independent non-executive director	
4	PCF-3	Chair of the board	
5	PCF-4	Chair of the audit committee	
6	PCF-5	Chair of the risk committee	
7	PCF-6	Chair of the remuneration committee	
8	PCF-7	Chair of the nomination committee	
9	PCF-8	Chief executive	
10	PCF-9	Member of partnership	
11	PCF-10	Sole Trader	
12	PCF-11	Head of Finance	
13	PCF-12	Head of Compliance	
14	PCF-13	Head of Internal Audit	
15	PCF-14	Chief Risk Officer	
16	PCF-16	Branch Manager of branches outside Ireland but only where the business arising from the branch amounts to 5% or more of, as applicable, the assets or revenues or gross written premiums of the regulated financial service provider	
17	PCF-17	Head of Retail Sales	
18	PCF-42	Chief Operating Officer	
19	PCF-49	Chief Information Officer	
20	PCF-52	Head of Anti-Money Laundering and Counter Terrorist Financing Compliance	
21	PCF-18	Head of Underwriting	
22	PCF-19	Chief Investment Officer	PCF-19 and PCF-30 to be merged due to duplication

23	PCF-43	Head of Claims	
24	PCF-48	Head of Actuarial Function	
25	PCF-50	Head of Material Business Line	PCF-50, PCF-54 and PCF-55 to be merged due to duplication – sector specific criteria to be reflected within the Regulations
26	PCF-21	Head of Treasury	
27	PCF-22	Head of Credit	
28	PCF-23	Head of Asset and Liability Management	
29	PCF-51	Head of Market Risk in credit institutions which exceed either of the following metrics ²⁰ : i. €500m of market risk (including Credit Valuation Adjustment) Risk Weighted Assets; or ii. €100bn of notional derivatives traded	
30	PCF-45	Head of Safeguarding Oversight	PCF-45, PCF-46 and PCF-53 to be merged due to duplication and re-titled Head of Safeguarding Oversight
31	PCF-26	Head of Regulated Markets	To be re-titled Head of Regulated Markets
32	PCF-28	Branch Managers within the State	PCF-28, PCF-32, PCF-40 and PCF-41 to be merged due to duplication
33	PCF-29	Head of Trading	

²⁰ As reported in quarterly COREP and FINREP regulatory reporting.

34	PCF-33	Head of Transfer Agency	PCF-33 and PCF-37 to be merged due to duplication
35	PCF-34	Head of Accounting (Valuations)	PCF-34 and PCF-38 to be merged due to duplication
36	PCF-35	Head of Trustee Services	
37	PCF-36	Head of Custody Services	
38	PCF-39A	Designated Person with responsibility for Capital and Financial Management	
39	PCF-39B	Designated Person with responsibility for Operational Risk Management	
40	PCF-39C	Designated Person with responsibility for Fund Risk Management	
41	PCF-39D	Designated Person with responsibility for Investment Management	
42	PCF-39E	Designated Person with responsibility for Distribution	
43	PCF-39F	Designated Person with responsibility for Regulatory Compliance	
Pre-Approval Controlled Functions for Holding Companies			
44	HCPCF-1	Chair of the board	
45	HCPCF-2	Director	

Appendix: draft revised Guidance on the Standards of Fitness and Probity

[located in a separate file]

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