



Intermediary Times

Welcome to the Intermediary Times

Welcome to the second edition of the Intermediary Times for 2019.

This edition contains information on many important and interesting topics, including:

- Brexit;
- The Fitness & Probity Regime;
- Investment Firms – Review your IIA Authorisation;
- The Retail Intermediary Annual Return;
- Minimum Competency Standards – Mortgage Credit Agreements;
- 2019 Retail Intermediary Roadshows; and
- What's New.

For queries on any of the topics outlined in this newsletter, or any other queries you may have, please see the main contact points on page nine. We hope that you find this newsletter useful and as always, we welcome your [feedback](#).



Helena Mitchell
Head of Consumer Protection
Supervision Division

Contents

Brexit	2
The Fitness & Probity Regime	3
Investment Firms - Review your IIA Authorisation	4
The Retail Intermediary Annual Return	6
Minimum Competency Standards – Mortgage Credit Agreements	7
2019 Retail Intermediary Roadshows	7
What's New	8
Contact Us	9

Brexit - The Withdrawal of the United Kingdom (UK) from the European Union (EU)

Contingency Planning

The Central Bank of Ireland (the Central Bank) reminds insurance intermediaries which may be undertaking cross-border mediation business, that they are expected to continue to take the necessary steps to ensure they are sufficiently prepared for a no deal Brexit scenario.

Insurance intermediaries must ensure that they have carefully assessed their obligations to (existing and prospective) customers, and taken any necessary actions to mitigate any potential risks that may arise. Firms must ensure that they continue to provide clear information to customers whose contracts or services may be affected, as soon as that information becomes available to them.

Post-Brexit, insurance intermediaries registered with the Central Bank under the EU (Insurance Distribution) Regulations, 2018 (the IDR) must only intermediate business on behalf of a UK or Gibraltar insurance undertaking (insurer) where that insurer has become authorised in the EU27.

European Insurance and Occupational Pensions Authority (EIOPA) Recommendation

In February 2019, EIOPA issued [Recommendations for the insurance sector](#) in the event that the UK withdraws from the EU without a withdrawal agreement. Recommendation nine includes the requirement that where UK insurance intermediaries intend to continue or commence insurance distribution activities to EU27 policyholders and for EU27 risks post-Brexit, they must be established and registered in the EU27 in line with the relevant provisions of the EU Insurance Distribution Directive (Directive 2016/97/EU).

Additionally insurance intermediaries registered with the Central Bank must only use the insurance and reinsurance distribution services of other EU registered insurance and reinsurance intermediaries, ancillary intermediaries or insurance undertakings as specified under Regulation 9(9) of the IDR.



Did you know?

Insurance intermediaries must ensure that they have carefully assessed their obligations to (existing and prospective) customers, and taken any necessary actions to mitigate any potential risks that may arise.



All insurance intermediaries carrying out distribution activities which target EU27 policyholders and EU27 risks fall under the scope of the IDD.



Insurance intermediaries must only use the insurance and reinsurance distribution services of other EU registered Firms.

Obligations under the Fitness & Probity Regime

The Fitness and Probity regime (F&P regime) was introduced in 2010 to ensure that individuals who work in regulated financial services providers (Firms) meet the highest standard of competence, integrity and honesty.

In April 2019, the Central Bank issued a [communication](#) to the management of all Firms reminding them of their legal obligations under the F&P regime.

The communication, which was issued to over 4,000 Firms, details specific issues that have arisen which Firms must address to ensure compliance with the F&P requirements. These include:

- Firms have ongoing obligations to ensure that they do not allow a person to perform a controlled function role unless they are 'satisfied on reasonable grounds' that the person complies with the Central Bank's F&P requirements.
- Firms must conduct due diligence on an ongoing basis to ensure employees in controlled functions continue to comply with the standards.
- There is evidence some Firms have identified F&P concerns about an individual and have taken steps to address these, including suspension for dismissal, but have failed to report those concerns, or the steps taken by the Firm, to the Central Bank.
- The Central Bank has observed a number of instances where individuals have omitted material information from their F&P applications for approval for senior roles. On occasion applicants have failed to disclose material facts which are either known to proposing Firms, or would have been known if proper due diligence of the proposed candidate had been conducted.

The F&P regime is central to the Central Bank's role as a gatekeeper for the financial system, ensuring that it can fully assess whether the most senior people working in the financial services industry are fit and proper. This is critical to the protection of the public interest and to ensuring that there is public trust and confidence in the financial system.

Did you know?

Firms are the first line of responsibility to ensure that people working in key roles are fit and proper to hold those positions.

In April 2019, the Central Bank issued a communication to the management of all Firms reminding them of their legal obligations under the F&P regime.

Enforcement action will be taken against Firms that fail to put in place, or fail to follow, proper systems and controls to ensure compliance with the F&P regime.

Investment Firms – Review your IIA Authorisation

The European Union (EU) Insurance Distribution Directive (Directive 2016/97/EU) (the IDD) was transposed in Ireland on 1 October 2018 by the EU (Insurance Distribution) Regulations 2018 (S.I. No. 229/2018) (the IDR). This has resulted in amendments to the Investment Intermediaries Act 1995 (the IIA), including removing the need for certain regulated financial services providers (Firms) to hold an IIA authorisation.

What has changed?

- The IDR has removed ‘insurance policies’ from the scope of the IIA.
- Also, where a Firm’s only activity in respect of insurance products is to introduce or refer a client to a third party for the purposes of arranging the purchase of an insurance product and that Firm has no further role in the transaction, that Firm is not required to be registered under the IDR with the Central Bank for this activity.

What does this mean for IIA Firms?

Each Firm currently holding authorisation under the IIA should review the activities it currently undertakes:

- If a Firm’s activities include insurance distribution activities as outlined above in respect of insurance products (including insurance-based life and pension products) or are likely to do so in the future, **then the Firm must be registered under the IDR.**

Please note that any Firm registered on or before 1 October 2018 under the European Communities (Insurance Mediation) Regulations 2005 (S.I. No. 13/2005) (the IMR) continues to be registered under the IDR.

- If a Firm is carrying out insurance distribution activities only and currently holds an authorisation under the IIA and under the IMR/IDR, **the Firm should seek revocation of its IIA authorisation (see below). No action is required in respect of its registration under the IMR/IDR.**

Did you know?

Insurance policies are no longer included in the definition of “investment instruments” under the IIA and introductions/referrals do not require an authorisation under the IDR.

Insurance distribution activities

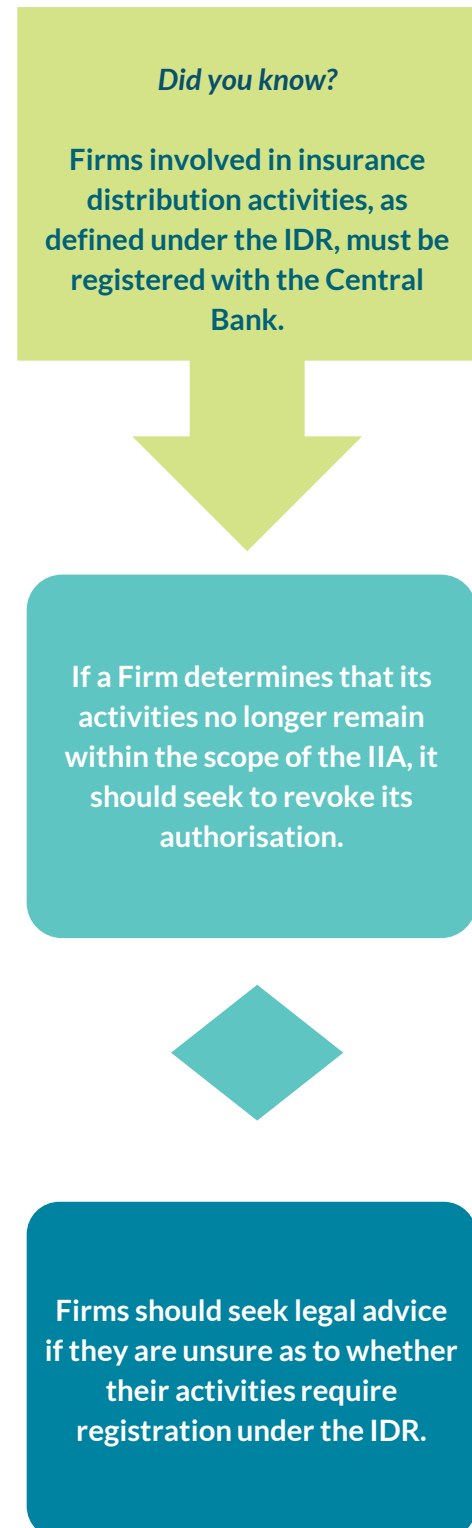
→ advising on, proposing, or carrying out other work preparatory to the conclusion of contracts of insurance, or

→ concluding such contracts, or

→ assisting in the administration and performance of such contracts, in particular in the event of a claim, including the provision of information concerning one or more insurance contracts in accordance with criteria selected by customers through a website or other media and the compilation of an insurance product ranking list, including price and product comparison, or a discount on the price of an insurance contract, when the customer is able to directly or indirectly conclude an insurance contract using a website or other media.

- If a Firm’s only activity is making referrals to third parties for advice on or for arranging insurance/insurance based pensions, and the Firm has no further involvement in the insurance contract, such activity no longer requires authorisation under the IIA or registration under the IDR. **The Firm should seek revocation of its authorisation under the IIA and its registration under IDR (see below).**
- If a Firm’s activity includes the making of referrals to third parties in respect of non-insurance investment products or for investment advice (e.g. to a stockbroker), or that carry on investment business themselves will continue to require authorisation under the IIA from the Central Bank in respect of such activities. **In such case, the Firm should retain its authorisation under the IIA.**

Firms which wish to revoke their IIA authorisations and/or their registrations under the IDR should complete the request for revocation form at this [link](#) and return it by email to revoke@centralbank.ie.



Retail Intermediary Annual Return (RIAR)

All Retail Intermediaries (Firms) are required to file a RIAR to the Central Bank electronically using the Online Reporting System (ONR).

The RIAR is based on the Firm's financial position at the end of its financial year (the reporting date) and the Firm must submit its RIAR no later than six months following the reporting date (the submission due date). Follow-up action will be taken by the Central Bank where the submission due date is not met.

Firms are reminded that the following should be reported under the relevant fields of the Financial Information Form of the RIAR:

- **Gross Income or Total Income** is income that arises in the ordinary course of business such as sales, commissions, fees, interest, dividends etc. Completion of this field is mandatory and must contain a positive non-zero value.
- **Fee Income** is the total fee income earned by the Firm during the period for activities regulated by the Central Bank. All fee income should be declared gross (i.e. before the deduction of fee payments to other entities).
- **Commission Income** is the total commission earned by the Firm during the period for activities regulated by the Central Bank. All commission income should be declared gross (i.e. before the deduction of commission payments to other entities).

Firms should ensure all figures entered in the Financial Information Form are based on documentary evidence available to Authorised Officers of the Central Bank in the event of an inspection.

Where a Firm does prepare audited accounts, it should base the information submitted in its Financial Information Form on these accounts. Where a Firm does not prepare audited accounts, it should base figures on its financial year-end management accounts.

Any queries in relation to the Annual Return can be submitted using the Submit a Request function on the ONR or via email to onlinereturns@centralbank.ie.

Did you know?

Each Firm must submit its Annual Return via the ONR no later than six months following its financial year-end. Follow-up action will be taken by the Central Bank on late or non-submission of the RIAR.

Fee and commission income should be reported as the total gross fee and/or commission income received by the Firm, i.e. it should not be netted.

Firms should ensure all figures entered in the Financial Information Form are based on documentary evidence available to Authorised Officers of the Central Bank in the event of an inspection.



Minimum Competency Standards - Mortgage Credit Agreements

The Minimum Competency Code 2017 (MCC 2017) sets out minimum professional standards for persons providing certain financial services, in particular when dealing with consumers.

The aim is to ensure that consumers obtain a minimum acceptable level of competence from individuals acting for and on behalf of regulated financial services providers (Firms) in the provision of advice and information and associated activities in connection with retail financial products.

The Central Bank (Supervision and Enforcement) Act 2013 (Section 48 (1)) Minimum Competency Regulations 2017, associated with the MCC 2017, impose certain obligations on Firms.

In accordance with the European Union (Consumer Mortgage Credit Agreements) Regulations 2016 (the Mortgage Credit Regulations), from 21 March 2019, the determination of the appropriate level of knowledge and competence in respect of mortgage credit agreements shall not be based solely on professional experience.

The MCC 2017 specifies that staff of mortgage creditors and mortgage credit intermediaries carrying out relevant functions in respect of mortgage credit agreements (as defined in the Mortgage Credit Regulations), including those who are currently grandfathered in respect of mortgage credit agreements, must have obtained a recognised qualification by 21 March 2019.



2019 Retail Intermediary Roadshows

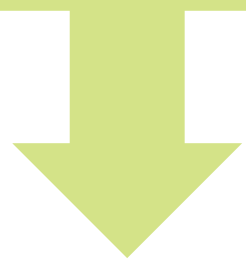
Following on from the success of previous years, the Central Bank is happy to confirm that the Retail Intermediary Annual Roadshows will take place in November 2019. Dates, times and locations will be confirmed in the coming months.

Firms will receive an email invitation containing all relevant details.

Any queries in relation to the upcoming Roadshows can be directed to riroadshows@centralbank.ie.

Did you know?

From 21 March 2019, grandfathering in respect of mortgage credit agreements is no longer appropriate. Staff carrying out functions in respect of mortgage credit agreements must have obtained a recognised qualification by this date.



If individuals have not obtained a qualification by this date, they can act as a new entrant under supervision while working towards obtaining a recognised qualification.



The 2019 Retail Intermediary Annual Roadshows will take place in November - email invitations will issue to all Firms in the coming months.

What's New

Recent Industry-wide Correspondence

- On 8 May 2019, Ed Sibley, Deputy Governor, delivered the opening [remarks](#) at the Insurance Ireland Annual Lunch on the functioning of the insurance market today and challenges ahead.
- On 2 May 2019, Derville Rowland, Director General, Financial Conduct, gave a [speech](#) to the Financial Services Industry Board in relation to the Central Bank's proposals for a Senior Executive Accountability Regime (SEAR).
- On 30 April 2019, Derville Rowland, Director General, Financial Conduct, provided the opening [remarks](#) at the Central Bank's Outsourcing Conference.
- On 6 March 2019, Michael Hodson, Director of Asset Management and Investment Banking, delivered [remarks](#) to a PWC and Scottish Irish Finance Initiative event on Brexit and gatekeeping.
- On 15 February 2019, Ed Sibley, Deputy Governor, delivered the opening [remarks](#) at the Central Bank Insurance Conference. Themes raised included "Thriving in Challenging Times" and the Central Bank Strategy for 2019 to 2021.
- On 12 February 2019, Gráinne McEvoy, Director of Consumer Protection, gave a [speech](#) to students of the Institute of Banking's Professional Diploma in Leading Cultural Change and Ethical Behaviours in Financial Services.



Ed Sibley, Deputy Governor



Derville Rowland, Director General, Financial Conduct



Michael Hodson, Director of Asset Management and Investment Banking



Gráinne McEvoy, Director of Consumer Protection

Central Bank Query	Central Bank Division	Central Bank Contact
Consumer Protection – Retail Intermediaries: Authorisation queries Supervision queries Revocation queries Post Authorisation queries Brexit related queries Roadshow queries	Consumer Protection	RIAuthorisations@centralbank.ie brokers@centralbank.ie revoke@centralbank.ie postauthorisations@centralbank.ie ribrexitcontingency@centralbank.ie riroadshows@centralbank.ie
Consumer Protection: Policy Policy queries Minimum Competency Code	Consumer Protection	code@centralbank.ie competency@centralbank.ie
Queries for other Central Bank Divisions:		Website
Anti-Money Laundering/Countering Terrorist Financing	Anti-Money Laundering	AMLpolicy@centralbank.ie
Fitness and Probity: Individual Questionnaire queries	Regulatory Transactions	fitnessandprobity@centralbank.ie
Funding Levy	Financial Control	funding@centralbank.ie
Online Reporting queries	Regulatory Transactions	onlinereturns@centralbank.ie

