



## GLOSSARY

“Beneficence is always free, it cannot be extorted by force, the mere want of it exposes to no punishment; because the mere want of beneficence tends to do no real positive evil. It may disappoint of the good which might reasonably have been expected, and upon that account it may justly excite dislike and disapprobation: it cannot, however, provoke any resentment which mankind will go along with”.

**Adam Smith** (*The Theory of Moral Sentiments*, 1759).

### The Individual Accountability Framework (IAF)

A framework of rules applying to individuals employed in the financial services industry that are putatively obliged to comply with orders issued under the aegis of the Central Bank Individual Accountability Act 2023 affecting entities coming under its regulatory authority. Originally intended to first come into effect in 2024, the framework does not come into effective existence until such orders are individually or collectively issued.

### Four Pillars

The IAF is made of Four Pillars: the Senior Executive

Accountability Regime (SEAR) that requires firms to set out where responsibilities lie within its senior management structure; Conduct Standards which includes standards of behaviour for individuals in controlled function roles in all regulated firms; Enhancements to the Central Bank’s current Fitness & Probity (F&P) Regime, including clarifying firms’ obligations to proactively certify that individuals carrying out certain specified functions are fit and proper; and Amendments to the Administrative Sanctions Procedure (ASP) including enabling the Central Bank to take enforcement actions against individuals.

### SEAR

SEAR is intended to mandate regulated firms to improve their internal processes by clarifying the roles of their senior executives as part of the regime’s efforts to increase individual responsibility of senior executives in regulated entities. It will impose a ‘duty of responsibility’ on senior executives including around embedding Conduct Standards in the organisation. SEAR is to apply to firms from 1 July 2024. These are Credit institutions (excluding

credit unions); Insurance undertakings (excluding reinsurance undertakings, captive (re)insurance undertakings and insurance SPVs); Investment firms which underwrite on a firm commitment basis and/or deal on own account and/ or are permitted to hold client assets; and incoming third country branches of any of same.

### Conduct Standards

The Regulations set out three new sets of Conduct Standards for all regulated firms 1) Common Conduct Standards will apply to individuals in Controlled Functions (CFs), including those in pre-approval controlled function roles (PCFs). 2) Additional Conduct Standards will apply to individuals performing PCF roles and others who may exercise a significant influence on the conduct of regulated firms’ affairs. 3) Business Conduct Standards are to apply to all regulated firms and are being developed in conjunction with an update to the Consumer Protection Code.

### Fitness & Probity

The Central Bank’s Fitness and Probity (F&P) Regime applies to persons in senior and customer-facing positions, known as Controlled Functions (CFs), of which there are 11, and

Pre-Approval Controlled Functions (PCFs), of which there are 54, within regulated firms. The core function of the longstanding F&P Regime is to ensure in scope individuals within regulated firms are ‘competent, capable, honest, ethical and of integrity and also financially sound’. The enhancements to the F&P regime as part of the IAF include a new requirement to annually certify ongoing compliance with the standards of individuals carrying out CF roles, an obligation to report disciplinary actions in relation to conduct standard breaches and the extension of the F&P regime to holding companies.

### Administrative Sanctions Procedure (ASP)

The ASP as part of the introduction of the IAF sees a strengthening of Central Bank’s powers to directly take enforcement actions against individuals rather than only for their participation in breaches committed by a regulated firm.

*Graphics: (L-R) Scottish economist Adam Smith; Irish philosopher Francis Hutcheson, whose grave is in Dublin, and where he composed the treatises that were foundational to Adam Smith’s Theory of Moral Sentiments; the CBI, Dublin.*