

ADVISORY | INDUSTRY INFORMATION

# Central Bank publishes feedback statement on key aspects of the implementation of the Individual Accountability Framework

On 16 November 2023, the Central Bank of Ireland (the "Central Bank") [published](#) its feedback statement, revised draft Central Bank Regulations (on the Senior Executive Accountability Framework ("SEAR"), the Certification Regulations and the Holding Companies Regulations) as well as its finalised guidance to firms on the Individual Accountability Framework ("IAF").

As outlined in our [previous IAF update](#), following the enactment of the Central Bank (Individual Accountability Framework) Act 2023 (the "Act") on 9 March 2023, the Central Bank published its public consultation [CP153](#) on 'Enhanced governance, performance and accountability in financial services'. Extensive in-depth engagement with industry and stakeholder on CP153 followed which has resulted in the publication today of the Central Bank's [feedback statement](#) to CP153, draft Regulations and final [guidance](#) to firms on the IAF. The publication of the final rules address a number of technical comments received through the consultation process and provides welcome clarity to firms regarding the Central Bank's expectations for the implementation of SEAR, the conduct standards and certain aspects of the enhancements to the fitness & probity ("F&P") regime.

In the accompanying [press release](#) the Central Bank highlights that the conduct standards and enhancements to the F&P regime are prescribed in legislation and will therefore become applicable on 29 December 2023. The SEAR Regulations that describe responsibilities of specific roles and requirements of firms will apply to in-scope firms from 1 July 2024. In order to allow industry a transition period to meet the obligations the Central Bank has decided to defer the application of the SEAR Regulations to (independent) non-executive directors ("INEDs") at in-scope firms until 1 July 2025. For clarity, other parts of the IAF (aside from the introduction of SEAR) including the common conduct standards and additional conduct standards will apply to INEDs as to other controlled functions ("CFs") and pre-approval controlled functions ("PCFs") respectively from 29 December 2023.

A number of other key clarifications have been highlighted by the Central Bank including:

- Reiterating that the Central Bank's approach to the implementation of the new framework is based on the principles of proportionality, predictability and reasonable expectations. The IAF guidance retains its provisions on reasonable steps and the Central Bank commits to an ongoing two-way engagement on the IAF implementation experience.
- Limiting the extent of mandatory periodic reporting to the Central Bank under the framework, instead requiring that firms take responsibility for relevant documentation and make it available to the Central Bank on request. A number of amendments have been made to minimise administrative burden on firms.
- Regarding the annual certification of compliance with the standards of F&P and in order to align with the approach adopted under the existing regime, the guidance is amended to limit the scope of the enhanced due diligence aspect underlying the certification requirement to PCFs, CF1s and CF2s and to facilitate self-certification in respect of CF3 – CF11 roles. The Central Bank has further confirmed that the initial confirmation of the completion of the certification process shall be required to be filed from 1 January 2025 (in respect of the 2024 calendar year) and on an annual basis thereafter.
- Removal of the additional obligation for a firm to report to the Central Bank where formal disciplinary action has been concluded against an individual in respect of a breach of the conduct standards.
- Clarity in respect of the application of the framework to job sharing arrangements in certain circumstances.

The feedback statement notes that the Central Bank will undertake a review of the IAF three years after implementation which will include an assessment of the functioning of the framework, how the benefits and costs are being realised in practice, and whether any changes should be introduced.



As firms finalise their preparations for the implementation of the IAF commencing from 29 December 2023, the Walkers IAF team are ready to assist clients by:

- Assessing how the changes introduced by the IAF may impact the governance, management and employment arrangements in respect of their firms; and
- Assisting with implementation of the necessary changes such as preparing maps and statements of responsibility, reviewing employment/service provider contracts, delivering IAF training and reviewing fitness and probity and conduct standards policies.

If you have any concerns or queries regarding the impact that the introduction of the IAF may have on your business, please speak to your usual contact in Walkers or any of the key contacts listed below.

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## Further information

We practice Bermuda, British Virgin Islands, Cayman Islands, Guernsey, Irish and Jersey law from an international network of ten offices across Europe, the Americas, Asia and the Middle East. For more information, please get in touch with your usual contact at Walkers or any of the contacts in your region listed below.



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