

## FINANCIAL REGULATION

# CBI financial regulation priorities for 2022

Recent speeches by Central Bank of Ireland's (CBI) [Governor](#), [Director General Financial Conduct](#) and [Director of Financial Regulation](#) have given a clear direction of travel on Irish financial regulatory priorities for 2022. Regulated firms should access these speeches as part of their horizon scanning and overall regulatory planning.

The priorities outlined below are largely influenced by Ireland's rapidly changing financial landscape and the CBI's need to balance the support of innovation and change with safeguarding stability and protecting consumers.

5 MIN READ



# Changing financial services landscape

## Authorisations

The CBI recognises that the size of the Irish financial sector has grown at a pace in recent years, with an associated increase in scale, complexity and new business models, driven by advancements in technology. The CBI will continue to operate a forward-looking approach to the authorisation of financial firms, being clear about its expectations to prospective and applicant firms. In furtherance of this approach, the CBI is conducting a review of its Innovation Hub, which was set up four years ago to support engagement between the CBI and innovators.

This forward-focused approach to authorisations is welcomed and of note is the 138% growth in payment and e-money firms authorised by the CBI since 2018. However, the length of time of the CBI’s authorisation process remains a market and reported concern.

## Banking sector changes

With two scheduled exits (KBC Bank Ireland plc and Ulster Bank Ireland DAC) from the Irish retail banking sector, the CBI is focused on ensuring that firms treat their customers fairly, in line with supervisory requirements. In particular, the CBI has reiterated its expectation that banks be proactive in their response to their customers, both new and existing, by putting in place the structures, information and resourcing to help customers navigate this period of change.



# Resilience

Financial sector operational resilience is an evergreen CBI priority, with a special focus on cyber resilience and outsourcing.

## Cyber resilience

IT and cybersecurity risks remains a key CBI concern, given potential impact on firms and their customers, and financial stability risks. The CBI notes that firms are well aware of these risks. The CBI’s expectation is that boards should now have an ‘excellent picture’ of the risks their organisations are facing and how they are actively working to mitigate them. This comes against a background of recent CBI enforcement action in respect of IT disruption.

**Outsourcing**

The CBI is strongly focused on outsourcing due to its increasing prevalence across the financial sector and its potential, if not effectively managed, to threaten the operational resilience of firms and the Irish financial system. The CBI’s expectation, as set out in its recently issued cross-industry guidance on outsourcing, is that regulated firms must have effective governance, risk management and business continuity processes in place in relation to outsourcing; to mitigate potential risks of financial instability and consumer detriment.

A failure to have effective governance and risk management processes in relation to outsourcing has resulted in recent CBI fines.

**Driving fair outcomes for consumers and investors**

Driving fair outcomes for consumers and investors, and for their interests to be at

the centre of financial services, is another evergreen CBI priority.

**Outlook Reports for 2022**

Earlier this year, the CBI published its Securities Markets Risk Outlook Report and its Consumer Protection Outlook Report, which detail key conduct risks to securities markets and key cross sectoral risks facing consumers of financial services in Ireland respectively. The reports also clearly set out the CBI’s supervisory requirements and expectations of regulated firms in addressing these risks, in order to protect consumers and investors.

**Distressed debt**

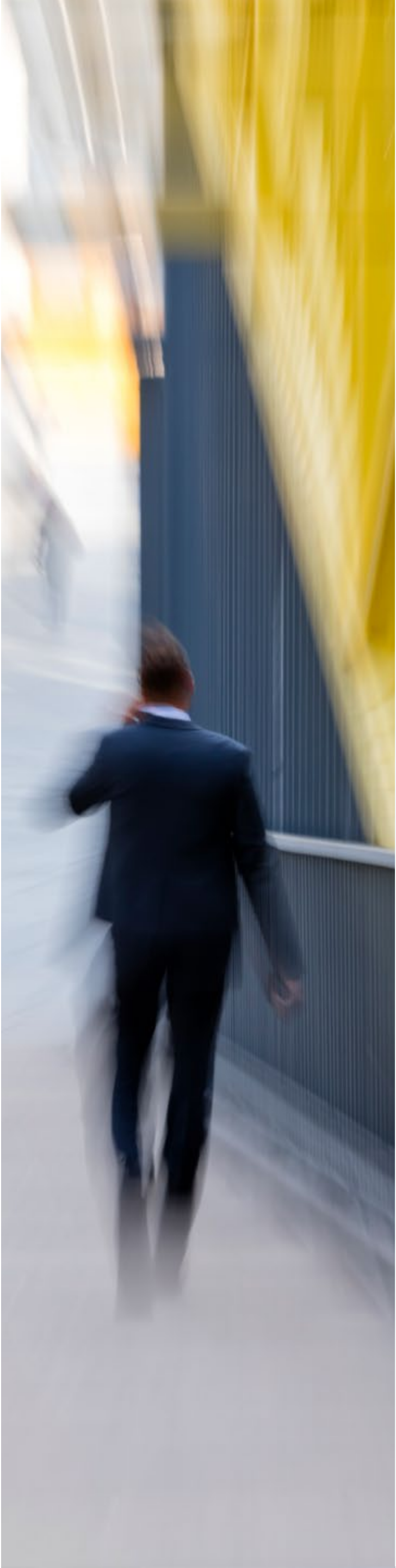
The CBI expects lenders to continue to deal appropriately with existing arrears and be vigilant to identify and deal with new arrears cases. Lenders must have in place a range of restructuring options capable of delivering sustainable solutions. When a borrower is offered an alternative repayment arrangement, it must have realistic potential to resolve the borrower’s arrears position on an appropriate and sustainable basis.

**Differential pricing**

The CBI’s ban on differential pricing in the home and private motor insurance market will take effect this year. The CBI recently published new Insurance Regulations, the headline item of which is that from 1 July 2022, insurance undertakings and insurance intermediaries will not be permitted to charge consumers, who are on their second or subsequent renewal of a home or motor insurance policy, a premium higher than they would charge equivalent year one renewal customers. This ban will benefit consumers, by removing any loyalty penalty for consumers of long tenure. In order to support switching and competition in the market, new customer discounts will continue to be allowed.

**Consumer Protection Code review**

The CBI is continuing its review of the Consumer Protection Code and expects to publish a discussion paper later this year which will likely attract market and public comment.





## Enhancing the regulatory framework

### Individual Accountability Framework

The CBI is continuing to work with the Department of Finance on the introduction of the Individual Accountability Framework (IAF), one of the most impactful regulatory changes in recent years, introducing the senior executive accountability regime (**SEAR**), conduct standards and a number of regulatory amendments to both the CBI's fitness and probity regime and its administrative sanctions procedure. It is expected that the Central Bank (**IAF**) Bill will be enacted in the coming months, after which the CBI intends to publicly consult and engage with stakeholders on its implementation.

### Anti-money laundering / countering the financing of terrorism

Anti-money laundering and countering the financing of terrorism (**AML/CFT**) is a core area of focus for the CBI this year, and for the foreseeable future. The CBI will work closely with European counterparts to help shape and implement the European Commission's AML/CFT package and the new single AML authority.

### Crypto-assets

Last month, both the CBI and the European Supervisory Authorities issued a warning to consumers on the risks of investing in crypto-assets. A priority for the CBI for 2022 is the strengthening of the European regulatory framework to capture crypto-assets and related products to prevent fraud and real risk to investors, both institutional and particularly retail. An important development in this regard, the Regulation on Markets in Crypto Assets (**MiCA**), is currently the subject of tripartite discussions (between the EU Commission, Parliament and Council) and an agreed text is expected later this year.

### Other regulatory enhancements

Other pieces of CBI work for 2022 include:

- advancing the Capital Markets Union
- development of a macro-prudential framework for funds
- revisions to the capital requirements framework for banks (CRR3/CRD6)
- revisions to the solvency framework for insurers (Solvency II review)
- revisions to the Alternative Investment Funds Directive (**AIFMD**)
- revisions to the Markets in Financial Instruments Regulation and Directive (MiFID II review)
- review of the second Payment Services Directive (**PSD2 review**)

A further regulatory enhancement expected towards the middle of this year is the adoption of new regulatory technical standards specifying, in greater detail, the risk-retention requirement under the EU Securitisation Regulation.





## Climate change

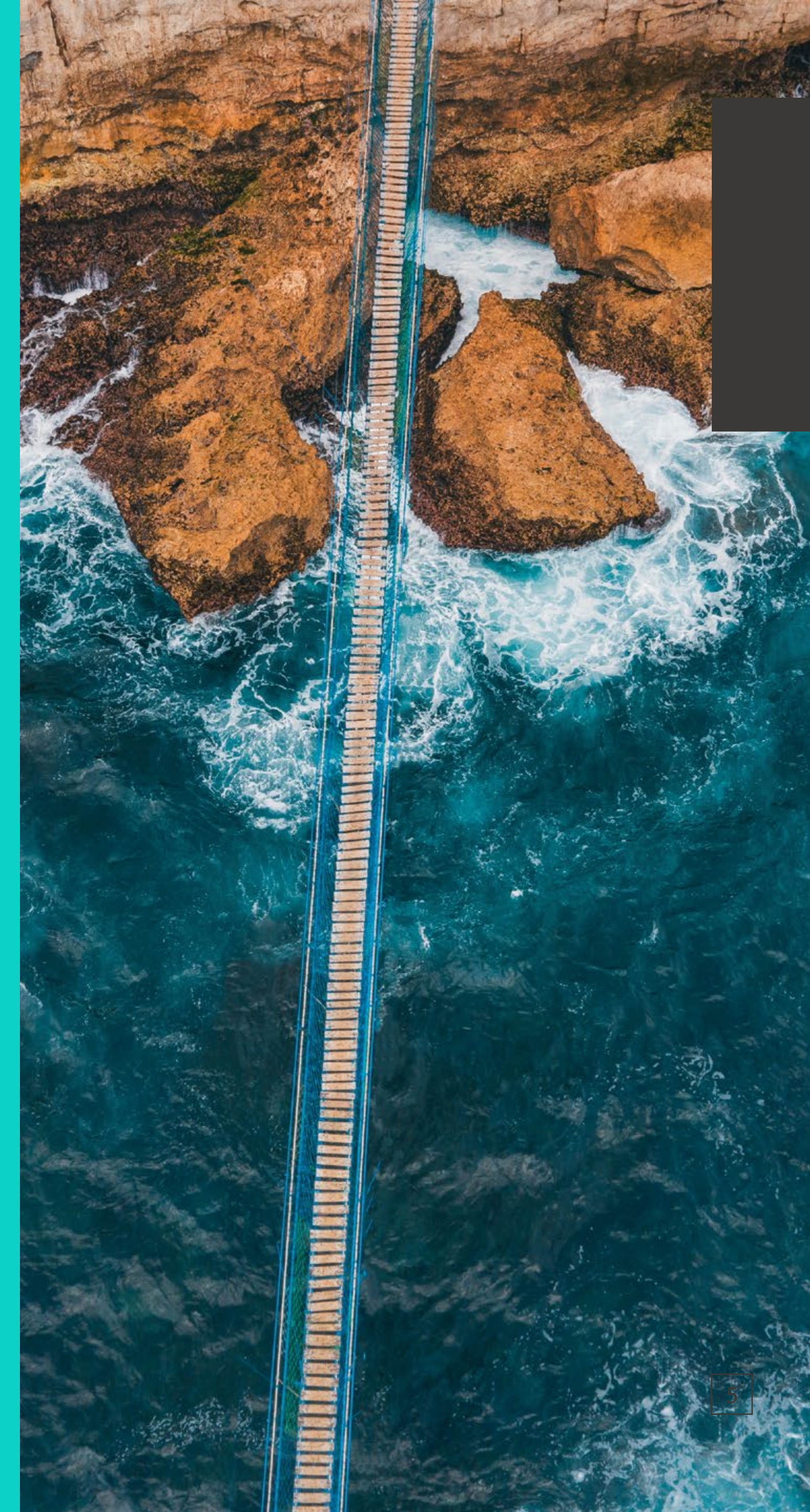
The CBI is continuing to step up its work on climate change to ensure the financial system can support the transition to a carbon neutral economy and is suitably resilient to the risks. It has set out three key expectations it has of the financial sector in this regard:

- to assess and manage exposure to climate and transition risk
- to achieve high quality, accurate and reliable standards of disclosure so that customers and investors can have full confidence about a product or service that is labelled 'green'
- to evolve business models and offerings to align with and support the move during the current and immediately coming period to a carbon neutral economy

The CBI will continue to adapt its supervision to ensure that firms are reflecting climate and transition risks in their business and meeting high standards of quality and disclosure when developing and marketing green products and services.

## Next steps

Regulated firms should study the various material highlighted above and bring them into their horizon scanning board updates and their regulatory and compliance plans. Regulatory change management has in itself been a separate topic that regulators have focused on in the review of some firm's compliance arrangements. It is therefore essential that regulated firms do all they can to ensure that these developments are captured, impact assessed and monitored.





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