

Society of Financial Planners Ireland

Kevin O'Brien
Head of Consumer Protection Policy
and Authorisations



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Central Bank of Ireland

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Overview

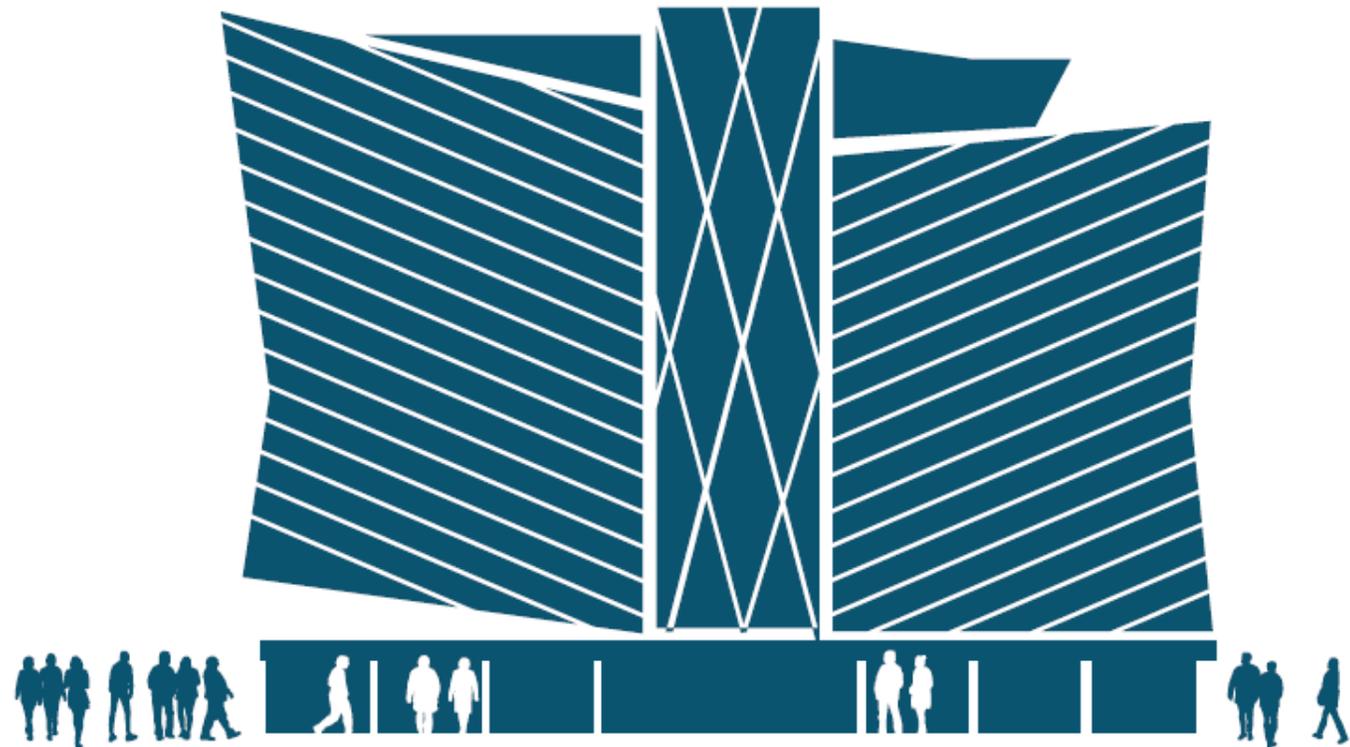
- The Role of the Central Bank of Ireland
- Consumer Protection
- Stakeholder Engagement
- Policy Making - Current Trends, Legislative Proposals, Recent Initiatives
- Intermediaries, Inducements and the Consumer Protection Code



The Role of the Central Bank

Mission

The Central Bank of Ireland serves the public interest by safeguarding monetary and financial stability and by working to ensure that the financial system operates in the best interests of consumers and the wider economy.



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The Role of the Central Bank

Mandate

In discharging its functions and exercising its powers as part of the European System of Central Banks, the primary objective of the Central Bank is to maintain price stability.

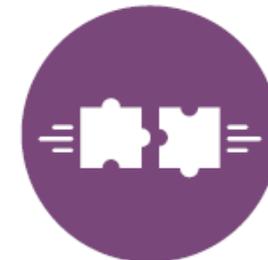
The Central Bank also has the following statutory objectives:



Price
Stability



Financial
Stability



Resolution



Financial
Regulation



Payments,
Settlements
and Currency



Economic
Analysis
and Statistics



Central Bank of Ireland – Strategic Plan



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Why do consumers need protection?

“The fast pace of financial innovation has created a complex world for consumers, where the range of available financial products is broad, and the consequences of financial choices are significant.

Coupled with this, the typical household tends to have a limited personal track record in making financial decisions, since the purchase of financial products happens only infrequently.

This is problematic, since the demands for financial sophistication and knowledge are sizeable if a consumer is to navigate safely through the options put forward by providers of financial services.

Financial decisions often require consumers to assess risk and uncertainty, for example, and to consider trade-offs between the near term and the long term.

A growing body of academic literature shows that, among the general population, the level of financial knowledge, skills and ability to consider such complexities is low.”



Why do consumers need protection?

■ Three key points –

- ❖ Financial products and services can be complex and are quickly becoming even more complex
- ❖ Financial decisions require an assessment of risk and uncertainty
- ❖ Many consumers are not experienced in making these assessments, yet the consequences of their decisions can be significant

■ So ...

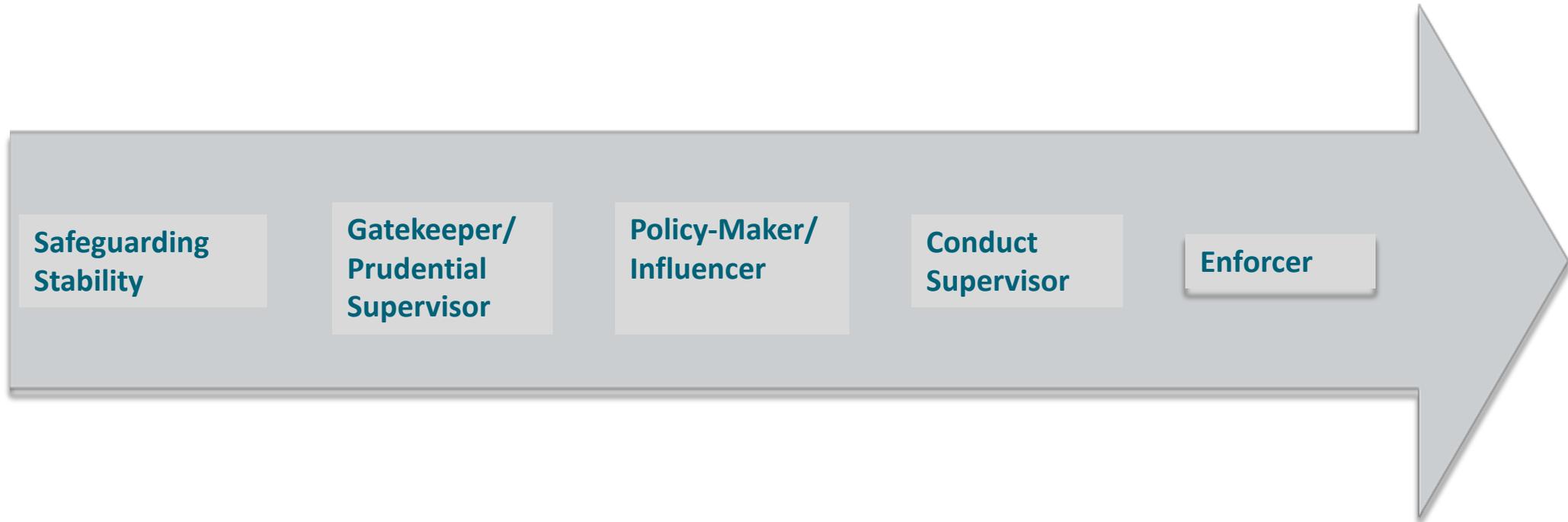
- ❖ Consumers therefore need help and protection when making financial decisions
- ❖ They must be able to trust that the professionals who are designing and selling these products, will have their best interests at the centre of all that you do



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How we discharge our consumer protection mandate



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Financial Planning through the Consumer Protection Lens

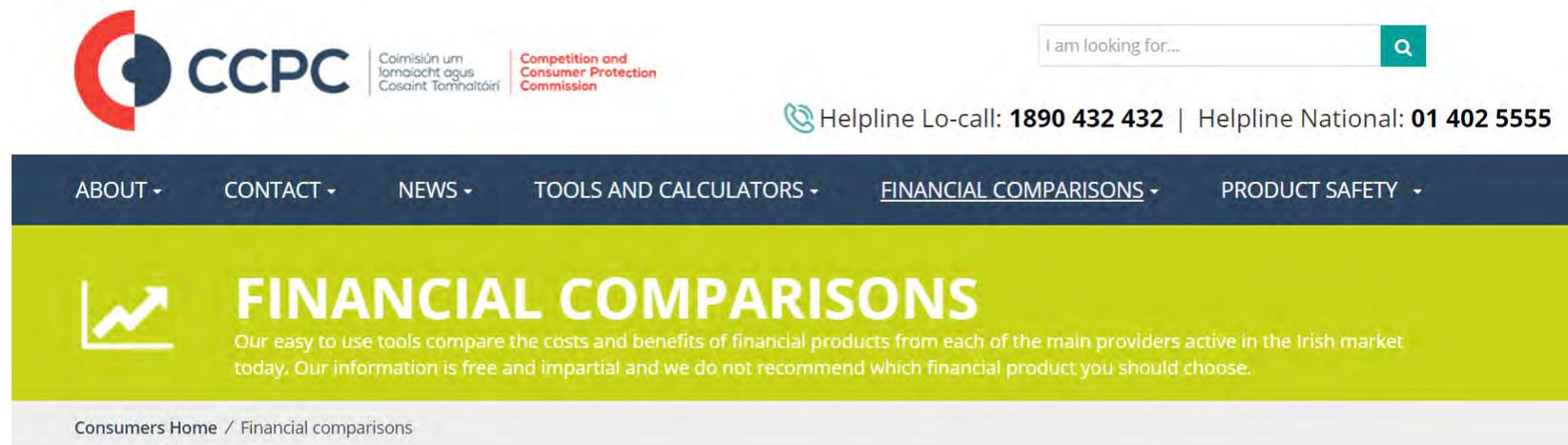
- Protecting consumers is a key objective of the Central Bank.
- While the Central Bank seeks to inform consumers, financial education and the provision of financial planning services fall outside of the direct remit of the Central Bank.
- However, it is recognised that such activities can also serve to help and protect consumers.



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Role of the Competition and Consumer Protection Commission



The screenshot shows the CCPC website header with the logo and navigation menu. The main content area features a green banner for 'FINANCIAL COMPARISONS' with a line graph icon. Below the banner, there are two columns of text describing tools for comparing personal current accounts and regular savings.

CCPC Coimisiún um Iomláocht agus Cosaint Tomhaltóirí **Competition and Consumer Protection Commission**

I am looking for...

Helpline Lo-call: **1890 432 432** | Helpline National: **01 402 5555**

ABOUT - CONTACT - NEWS - TOOLS AND CALCULATORS - FINANCIAL COMPARISONS - PRODUCT SAFETY -

FINANCIAL COMPARISONS

Our easy to use tools compare the costs and benefits of financial products from each of the main providers active in the Irish market today. Our information is free and impartial and we do not recommend which financial product you should choose.

Consumers Home / Financial comparisons

Personal current accounts

Compare the fees and benefits of personal current accounts across providers operating in the Irish market using our interactive personal current account tool.

Regular savings

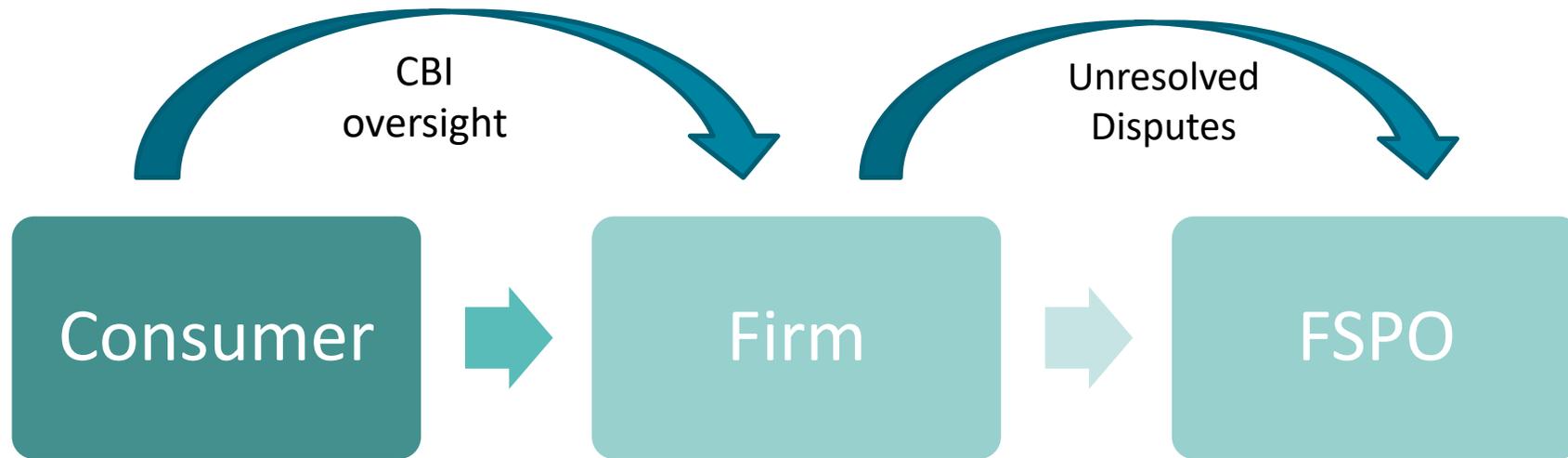
Find the regular savings account to best suit you with our regular savings tool. Simply enter the amount you want to save each month and our calculator will display your options.



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Complaint journey and the FSPO



An tOmbudsman Seirbhísí
Airgeadais agus Pinsean
Financial Services and
Pensions Ombudsman

The Financial Services and Pensions Ombudsman, as an independent public body, enhances the financial services and pensions environment, by using its powers to resolve disputes in a way which is fair, transparent and accessible to all.



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Engaging and Influencing



- The Central Bank takes a broad approach to stakeholder engagement.
- This includes but is not limited to regular engagements with key stakeholders (industry, rep bodies, the ESAs etc.), consultation with the [Consumer Advisory Group](#); surveys and publications (e.g., explainers)
- One of the key methods in how we engage with our various stakeholder groups is through conducting research.



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Consumer Protection Consumer Research

Why Consumer Protection Research?

- Evidence-based research informs regulatory decision-making that results in changes to our policies and codes, how we seek to influence, our risk assessment and the focus of our Supervision
- Consumer Research team undertake primary and secondary research exploring consumer behaviours, attitudes and motivations relating to financial products and services

Examples of our Consumer Research

Motor Insurance – Attitudes and Behaviours	Consumer Experience of Purchasing Gadget Insurance	Consumer Understanding of Commission Payments	Industry Research on the Digitalisation of Financial Services	Mortgage Switching Research	Consumers Experience of the Motor Insurance Claims Process Research
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European Supervisory Authorities

The European System of Financial Supervision is composed, at the micro-prudential level, of

- the ESAs (EIOPA, EBA and ESMA)
- the Joint Committee of the ESAs; and
- the competent national supervisory authorities, of which the Central Bank of Ireland is one.

The Central Bank is an active member of the ESAs. Its contribution to the work of the ESAs has helped achieve high quality regulation which reflects the Irish perspective and contributes to the enhancement of Ireland's reputation and regulatory framework.



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Our role in developing the Policy Framework

EU Level and ESA
role

Oireachtas

Central Bank of
Ireland

Sustainable
Finance, PRIIPS,
PEPP

Credit Servicing
Legislation,
Moneylending

CPC,
Inducements
SI74
Switching



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Current Trends and Legislative Proposals



- Sustainable Finance
- Digitalisation
- PSD2
- PRIIPs and PEPP





Sustainable Finance

EU Action Plan on Financing Sustainable Growth

1 strategy | 3 objectives | 10 Actions

Re-orient capital flows towards sustainable investment

Clarity in relation to standards and definitions on what is green

Mainstreaming Sustainability into Risk Management

To integrate sustainability risks in investment decision-making and in advisory processes

Foster transparency and long-termism in financial and economic activity

Enhanced corporate reporting, addressing short-termism



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Legislative Proposals arising from Action Plan

The most urgent actions from the AP were taken forward as legislative Proposals in May 2018

Taxonomy Regulation

- Criteria to determine if an economic activity is environmentally sustainable
- *Still going through legislative process*

Disclosures Regulation

- Clarifying the duties of asset managers and institutional investors to take sustainability into account in the investment process and enhance disclosure requirements.
- *Political agreement reached in March 2019*

Incorporating Sustainability into Financial Advice

- Including ESG considerations into financial advice
- *Delegated acts finalised*

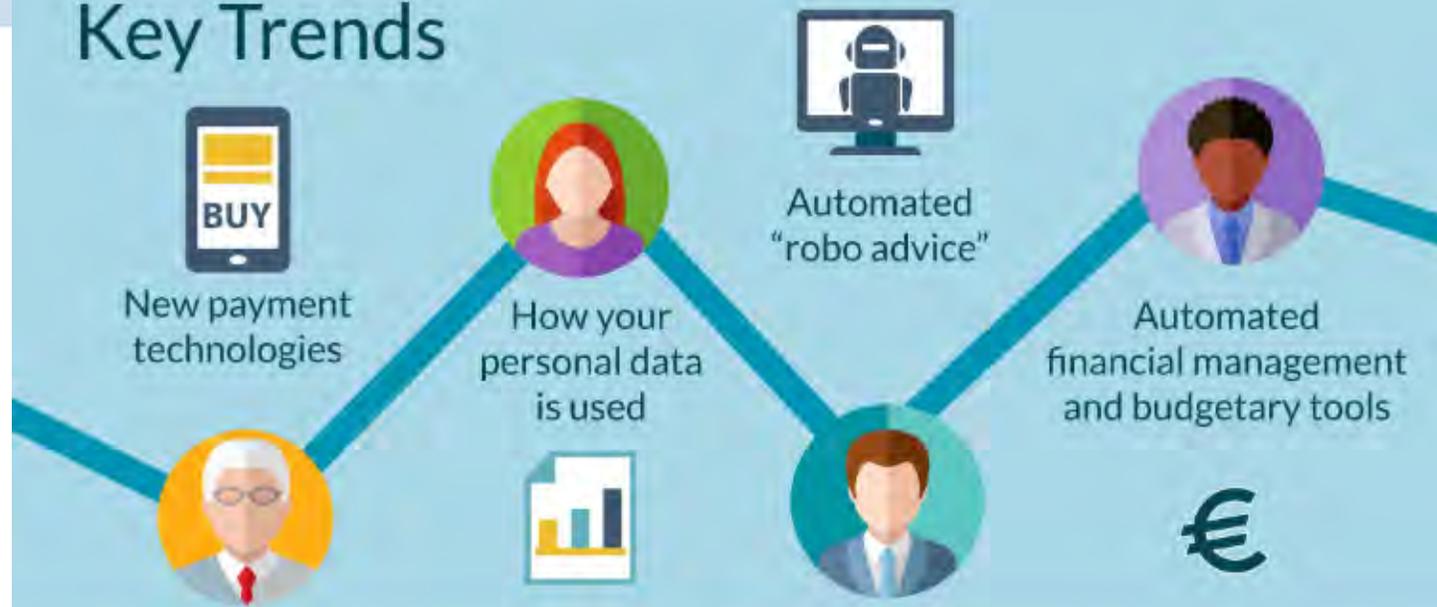


A close-up photograph of a person's hand touching a digital screen. The screen displays various data visualizations, including a line graph with multiple colored lines (green, red, blue) and a bar chart. The background is dark with blue and purple bokeh lights. The word "Digitalisation" is overlaid in white text in the center of the image.

Digitalisation

Brave New World for Consumers?

Key Trends



Benefits

- More choice of financial products
- Faster & more convenient access
- More personalised products
- Easier to compare
- Simpler to switch



Risks

- Less face-to-face interaction
- Potential risk of cybercrime
- More complex marketplace
- More chance of making a rash decision to buy
- Not everyone has access to technology



¹ Information Society Statistics – Household 2016, CSO

² Mobile payments survey – RTE, 2016

³ More than 3m contactless payments made each week in Republic – The Irish Times, 23 March 2017



Consumer Journey and Digitalisation



REQUIREMENTS REGARDING
ACCESS TO FINANCIAL SERVICES



PROVISION OF INFORMATION
REQUIREMENTS



SUITABILITY
REQUIREMENTS



REDRESS/COMPLAINTS
HANDLING REQUIREMENTS



CLAIMS HANDLING
REQUIREMENTS



RETENTION OF CONSUMER
RECORDS / RECORD KEEPING
REQUIREMENTS



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Growth and Innovation – CBI Activity

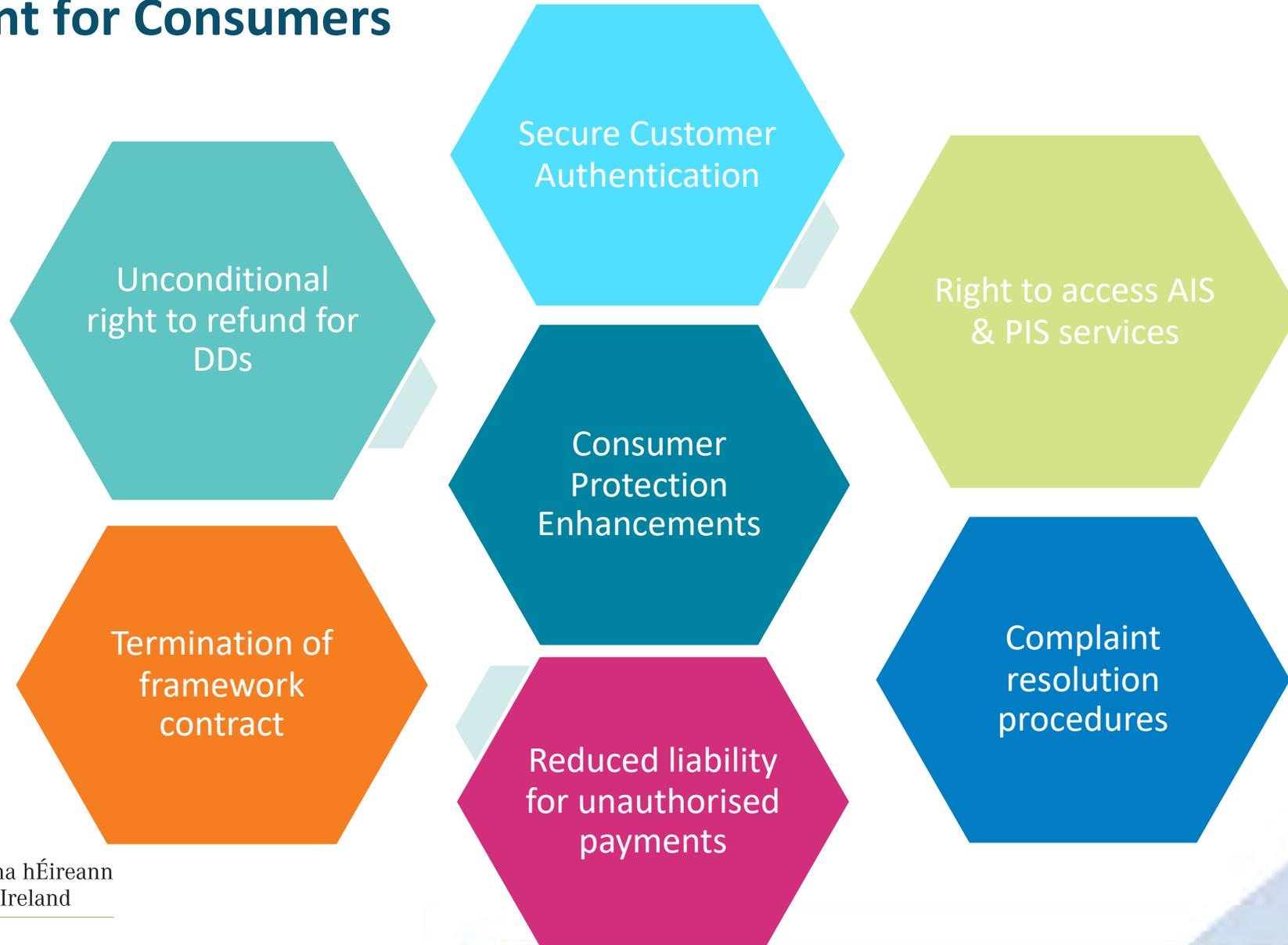
- Establishment of an Innovation Hub
- Gatekeeper Role
- Engaging with European Supervisory Authorities on Fintech issues
- Reviewing our consumer protection framework to ensure that it continues to be fit for purpose



PSD2



Enhancement for Consumers



PSD2 Framework

Authorisation Framework

EBA Authorisation GLs

Payment Institutions
(including Payment
Initiation Service
Providers)

Account Information
Service Providers
(Registration)

Brexit applications

Supervision Framework

Ongoing supervision

- Regulations
- EBA GLs & technical standards

Enforcement powers

Notification of alleged
infringements

Reporting Framework

Major incident reports

Operational & security
risk reports

Reports of data on
payment fraud

Security & Access Framework

SCA for online
payment account
access & electronic
payments

Access to accounts by
TPPs



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PRIIPs and PEPP

PRIIPS – Packaged Retail and Insurance-based Investment Products

Did you know?

The PRIIPs Regulation has applied to firms since 1 January 2018



It imposes a requirement for a standardised key information document (KID) to be provided by those manufacturing or distributing packaged retail and insurance-based investment products (PRIIPs) to retail investors before concluding a contract for a PRIIP

Where a PRIIP manufacturer is located outside the EU, a KID must be available if the product is to be distributed within the EU

A KID is required for all 'packaged' investment products, including insurance-based investment products, investment funds, structured deposits and derivatives

Persons advising on or selling UCITS funds are exempt from the PRIIPs Regulation until 31 December 2021



PEPP – Pan-European Pension Product

So what is a
PEPP?

The pan-European personal pension product (PEPP) is a voluntary personal pension scheme that will offer consumers a new pan-European option to save for retirement. It is a new product.

Who will offer
the PEPP?

It may be offered by a broad range of financial providers such as insurance companies, asset managers, banks, certain investment firms and certain occupational pension funds.

Current status

The PEPP Regulation was published in the Official Journal of Europe on the 25 July and came into force on 14 August. It will enter into application on 14 August 2021.



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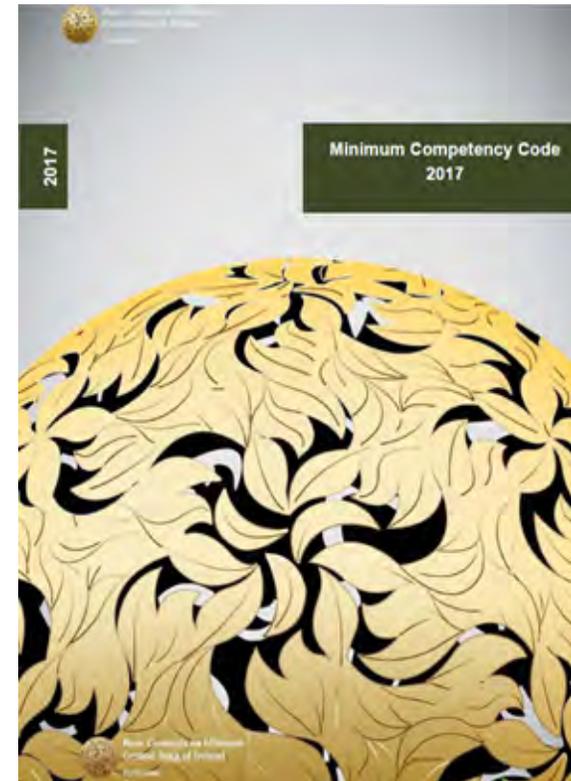
Minimum Competency Requirements



Fitness and Probity Regime

Minimum Competency Code and Regulations 2017 ('MCC')

- Minimum professional standards for financial services professionals
- In place since 2006 – revised in 2011 & 2017
- Applies to all those who advise on or sell retail financial products to consumers, or carry out certain specified functions
- Individual must:
 - Obtain recognised qualification
 - Comply with CPD requirement
- 2017 key changes
 - Qualification **and** 6 months experience (MiFID firms only)
 - Requirements for non-customer facing roles – design of products & board members of mortgage credit intermediaries
 - Annual review of staff members' development needs



What are the Fitness and Probity Standards?

- Code issued under Section 50 of Central Bank (Reform) Act 2010
- The Fitness and Probity Standards provide that an individual performing a Controlled Function (CF), including Pre-approval controlled functions (PCFs) is required to be:
 - a) competent and capable;
 - b) honest, ethical and to act with integrity; and
 - c) financially sound.





Retail Intermediaries

Role of Intermediary

Retail intermediaries provide various financial services to their customers. They provide advice on and arrange:

- insurance products;
- investment products;
- mortgage products;
- risk management; and
- claims management.

Retail Intermediaries must have a sufficient knowledge of the products they sell and the provisions of the Code relating to the sale of those products to ensure that a product is suitable for each consumer's individual needs.



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Outcome of Review of Retail Intermediary Application Form

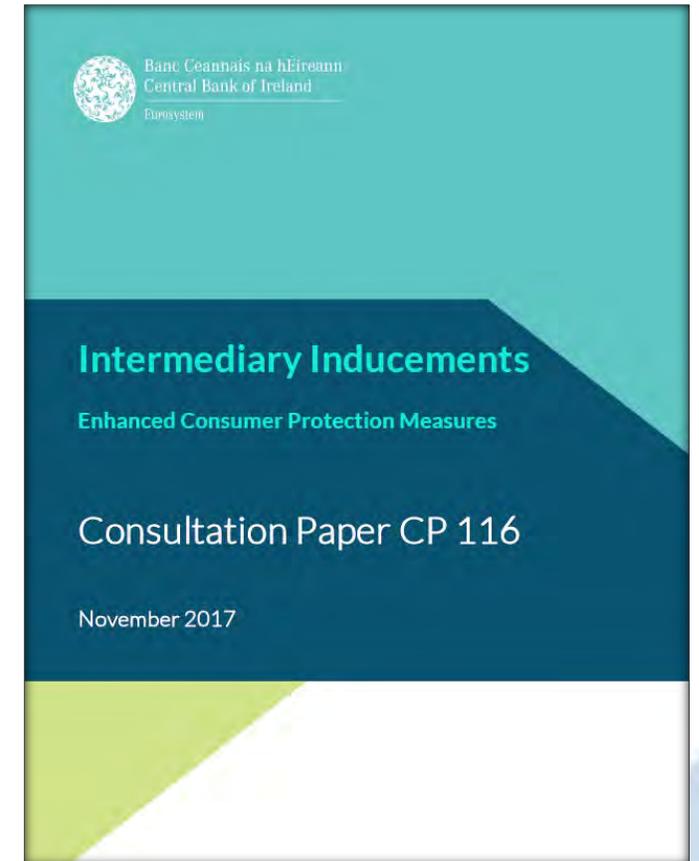
- Revised “Application Form for Authorisation as a Retail Intermediary” issued September 2018
- Now shorter, more facilitative and easier for the applicant to navigate and complete
- Questions included in form revised to increase clarity and conciseness
- Sections segregated and ‘sign posted’ more clearly – applicant need only fill out relevant sections
- Separate Business Plan and Programme of Operations documents no longer required – now set out within the revised form
- Less supplementary documentation required - move to ‘confirmation’ basis placing a greater onus on the applicant to confirm it is satisfied it is in a position to meet certain requirements
- Reflects the requirements of the IDR



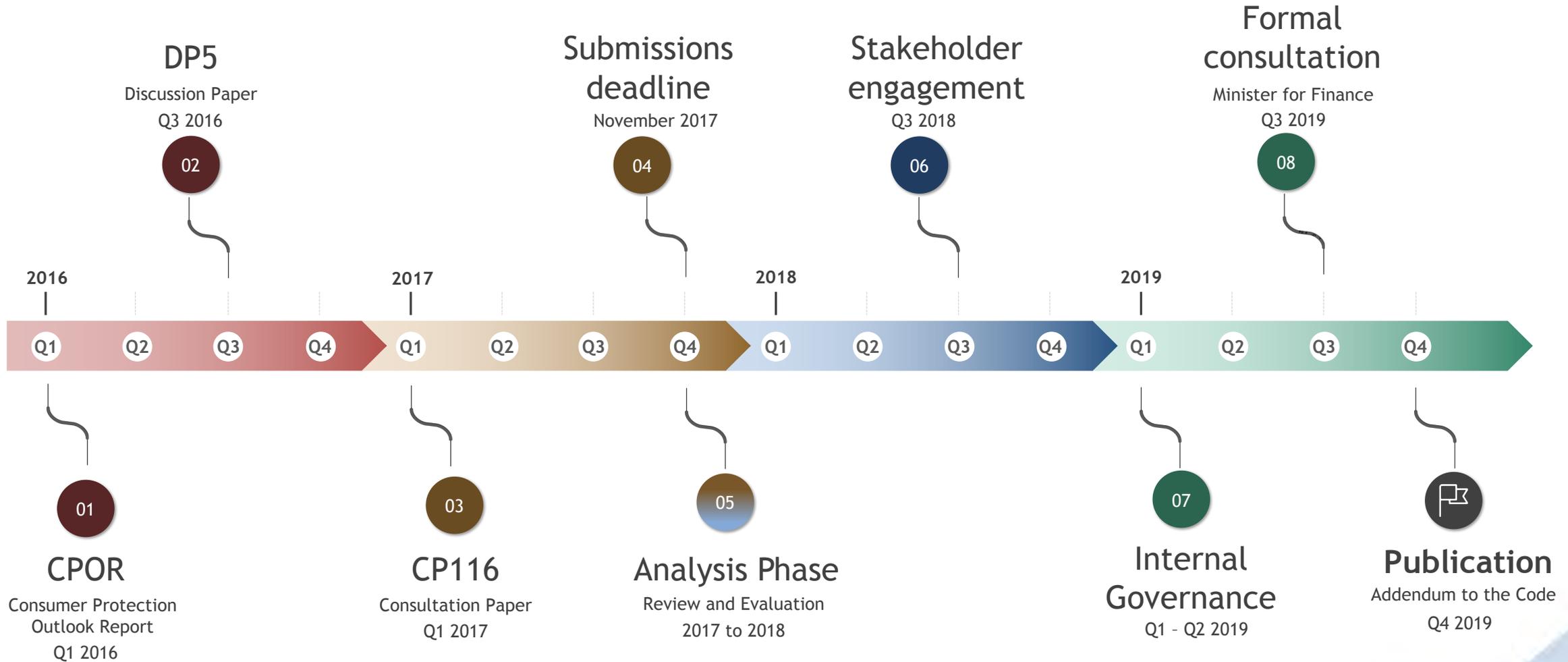
CP116 Consultation on Intermediary Commissions

The proposals can be summarised under 4 main headings:

1. Independence
2. Conflicts of Interest
3. Transparency of Inducement Arrangements



Project Timeline



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Proposals on Independence



The term 'independent' may not be used:

- in your legal or trading name unless all regulated activities you provide are on the basis of a fair analysis of the market
- to describe a regulated activity unless it is provided on the basis of a fair analysis of the market, and
- if you accept and retain any inducement (other than a minor non monetary benefit and/or a fee paid by the consumer) where advice is provided



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Proposals on Conflicts of Interest



- Certain inducement arrangements to be deemed a conflict of interest
- Examples: targets related to volume, profit, or business retention, and soft commissions
- Any inducement arrangement that does not consider a consumer's best interest must be avoided



Proposals on Transparency



- Proposed to increase transparency around how intermediaries are remunerated
- Publication of a summary of the details of inducement arrangements on the intermediary's website and public office
- Must contain specific details at a minimum – such as an indication of the amount or % paid



Review of Consumer Protection Code 2012

■ Scope

- Impact of Assisted Decision-Making (Capacity) Act 2015

■ Digitalisation –

- Discussion Paper

- Digital products and services

- Changes in Legal Frameworks

■ Regulations

■ Timeline



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Central Bank Animation Series

- The Central Bank has just launched its first animated explainer on the Central Bank website and across social media platforms.
- The aim of these videos is simple: **to explain what we do, and why we do it!** There will be at least six episodes in the series, with a new instalment published every four to six weeks.
- Here is our first video explainer, where our lead character Alex, pictured across, interacts with members of the public who are curious to know more about who we are and what we do.



Episode 1 - What does the Central Bank of Ireland do?



Thank you!



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