



The Individual Accountability Framework

Planning and preparing for increased accountability in financial services

mazars

 Compliance
Institute

Foreword

Kian Caulwell and Michael Kavanagh

As Mazars and the Compliance Institute collaborate for the third time to publish our Individual Accountability Framework (IAF) Awareness and Readiness survey report, we are delighted with the continued high engagement level of members. Our November 2023 report is based on 126 survey responses from the members of the Compliance Institute.

As we publish our third report, we can now analyse emerging trends across the financial services (FS) sector concerning the level of preparedness for the IAF and its perceived impacts.

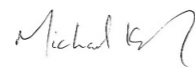
Quarter 4 2023 has undoubtedly become a crucial period for the sector as it prepares itself to implement fitness and probity enhancements, the Senior Executive Accountability Regime (SEAR) and an amended Administration Procedure in 2024.

We hope you find the report insightful and supportive as you finalise your IAF arrangements.

The forthcoming IAF regime remains a key area of focus for the Compliance Institute as our IAF Working Group supports members in getting ready for its implementation.

We have issued very comprehensive responses to the CBI's two consultations - CP153 - Enhanced governance, performance and accountability in financial services Regulation and Guidance under the Central Bank (Individual Accountability Framework) Act 2023 and CP154 - Consolidated Guidelines in respect of the Central Bank's Administrative Sanctions Procedure. We have met the CBI to discuss the issues raised, held a number of CPD events and produced podcasts dealing with various aspects of the new regime.

This survey of 126 Compliance Institute members responsible for compliance in a wide range of financial services organisations throughout the country highlights the trends and changing perspectives of members over the past 18 months. The results are certainly interesting and informative, not only for the profession but also for the wider business community, regulators and government.



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Introduction

Welcome to our third individual accountability framework awareness and readiness survey report

During 2022, Mazars and the Compliance Institute partnered to assess the level of awareness and readiness for implementing an IAF within the financial services sector. Our March 2022 and November 2022 reports were published at a time when the proposed IAF requirements were at the Bill stage in the legislative process.

During 2023, significant progress has been made in the formalising of the IAF requirements, specifically:

- 9 March 2023 – Central Bank (Individual Accountability Framework) Act 2023 (Act) was signed into law.
- 13 March 2023 – The Central Bank of Ireland (CBI) launched a three-month consultation on the implementation of the IAF, including the publication of draft regulation and guidance.
- 22 June 2023 – The CBI launched a 12-week consultation on proposed updates to the Administration Sanctions Procedure.

As of 9 November 2023, we are still awaiting the publication of the final IAF regulation and guidance, which Regulated Financial Service Providers (RFSPs or firms) will be required to implement.

The Compliance Institute, through its IAF Working Group, has actively contributed to the consultation processes mentioned above and will continue to represent the perspective of its members.

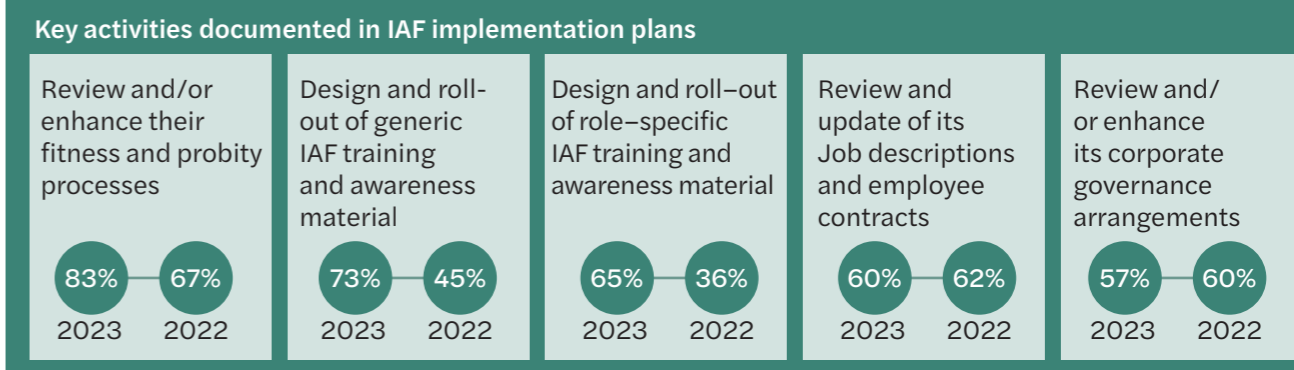
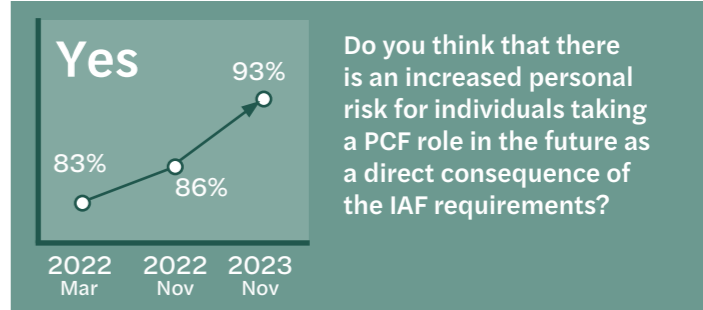
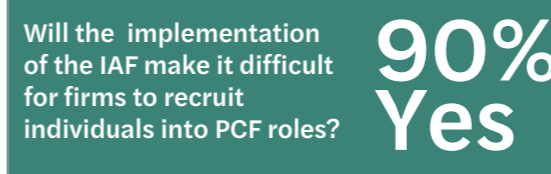
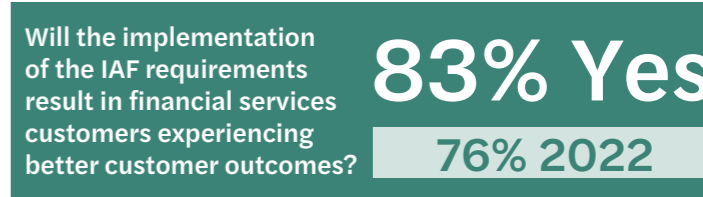
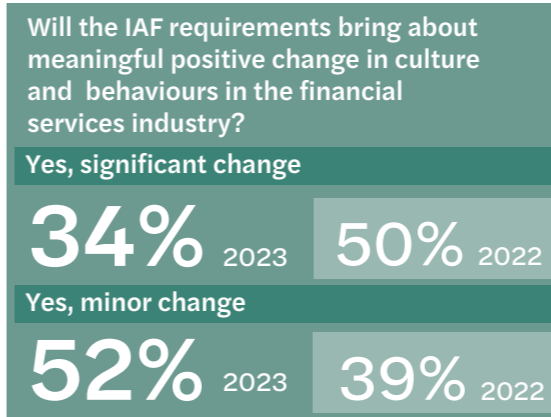
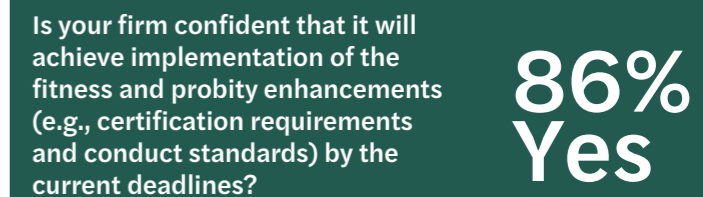
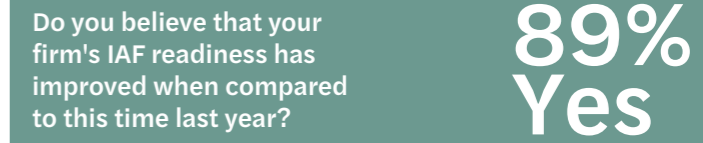
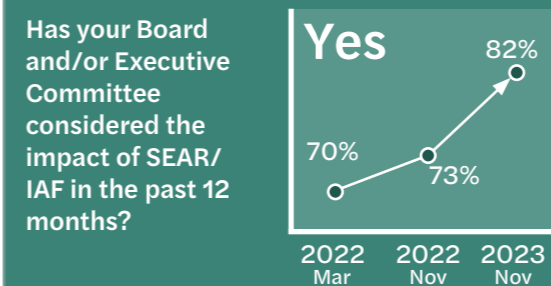
Purpose

In light of the advancements made about the IAF requirements in the past 12 months and the impending expected deadline for implementation of the fitness and probity enhancements (as outlined in the Act and the CBI's draft regulation and guidance), Mazars and the Compliance Institute felt this was the opportune time to re-launch our IAF awareness and readiness survey.

By utilising the data from our previous reports, in conjunction with our recent 126 survey respondents, we can now report on trends and changing perspectives about IAF readiness and awareness over the last 18 months based on member feedback.

IAF readiness snapshot

The top five actions respondents have taken so far include:



Key findings

An industry that is advancing its preparation for the IAF and confident of timely implementation

Our survey results demonstrate that firms have made significant progress in their preparations for implementing the IAF requirements compared to November 2022. This is evidenced by the high confidence levels of timely implementation, with 86% of respondents believing their firm will implement the fitness and probity enhancements within the deadlines. Additionally, 89% of survey respondents believe that their firm's readiness for IAF has improved when compared to November 2022.

The above results are further underpinned by positive increases in other key results that we have tracked across our past surveys:

- 82% of Boards of Directors have now considered the impact of IAF in the past 12 months, compared to 70% in March 2022 and 73% in November 2022.
- 72% of respondents reported they have reviewed and enhanced their fitness and probity process, compared to 63% in November 2022.
- There is evidence that firms are implementing enhanced project governance, 56% of respondents in November 2023 (49% in November 2022), while 45% have formal IAF project plans in November 2023 (23% in November 2022).

Sentiment of IAF as a lever for positive cultural change remains a constant

Throughout all of our surveys, respondents have consistently noted that they believe IAF will be a catalyst for positive cultural change and better customer outcomes across the FS sector.

The same conclusions can be drawn from our November 2023 survey results, although the positive sentiment of respondents has reduced slightly:

- 86% believe implementing IAF will result in meaningful positive cultural change in culture and behaviours (89% in November 2022 and 79% in March 2022).
- 83% believe that IAF will result in customers experiencing better outcomes (76% in November 2022).

41% believe that IAF will have a positive impact on business performance (40% in November 2022).

Increasing levels of concern about the impact of IAF on individuals

As we move closer to the implementation of the fitness and probity enhancements initially, followed by the Senior Executive Accountability Regime, the level of perceived personal risk associated with holding a Pre-Approval Controlled Function (PCF) continues to increase. The ability to attract talent into PCF and Controlled Function (CF) roles is also a concern. Specifically, our survey noted:

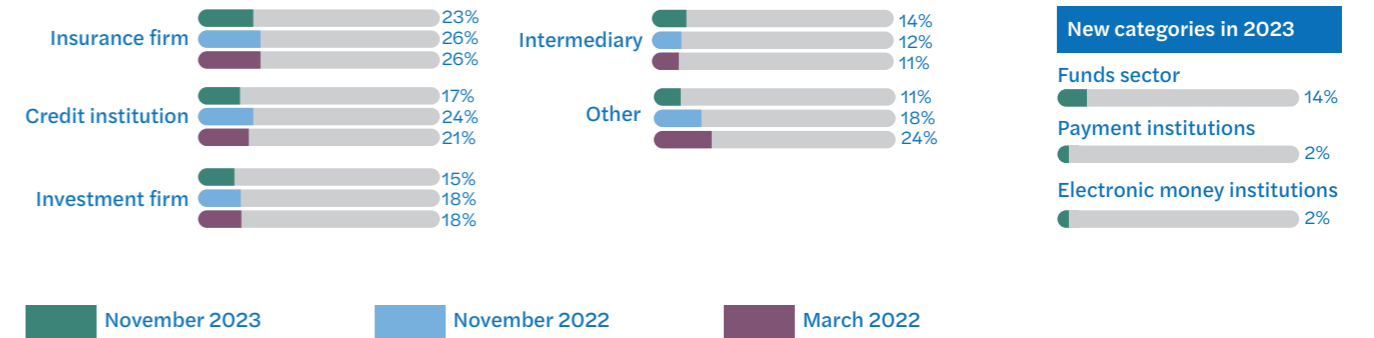
- 93% believe that the IAF will result in increased personal risk for PCFs (86%, November 2022 and 82%, March 2022).
- 91% believe that IAF will make it more difficult to recruit PCFs in the future (84%, November 2022).
- 69% believe that IAF will make it more difficult to recruit CFs in the future.



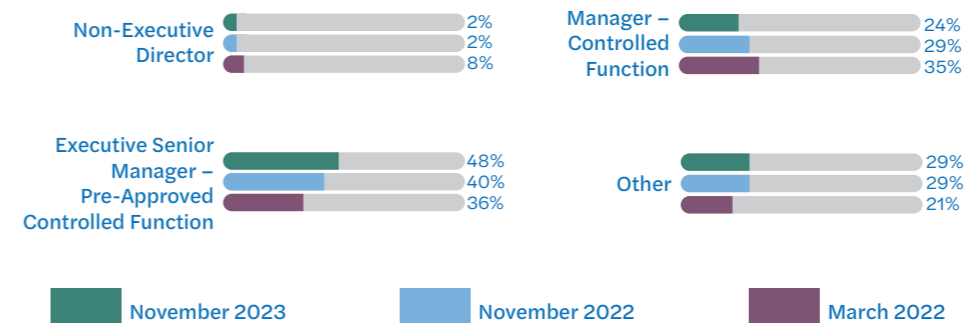


Detailed survey results

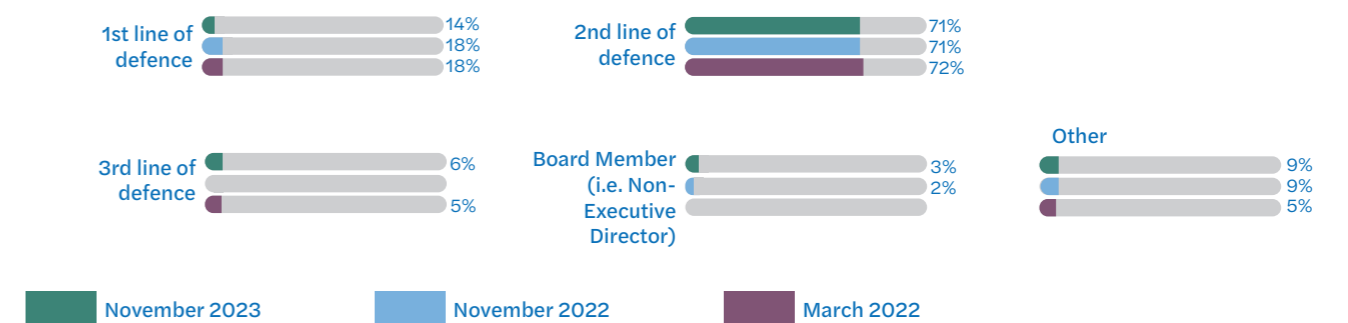
What type of firm do you work in?



What best describes your role in your firm?

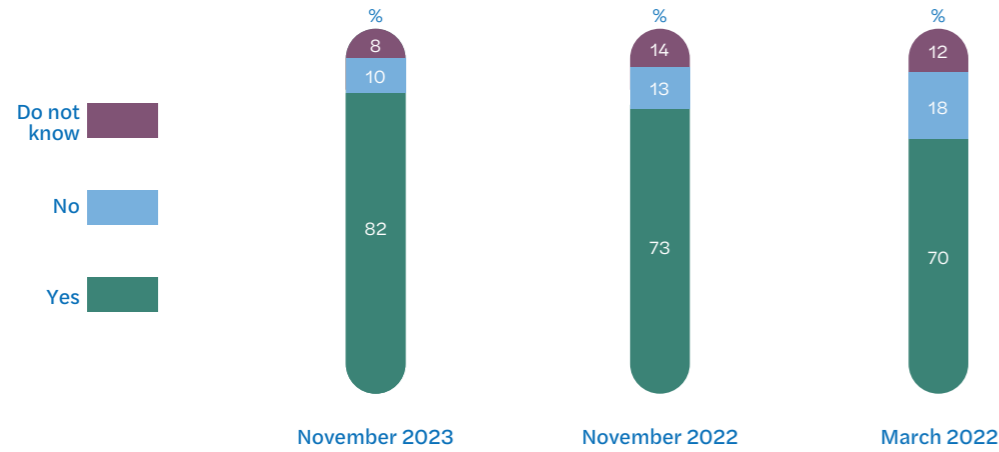


What section of your firm do you work in?



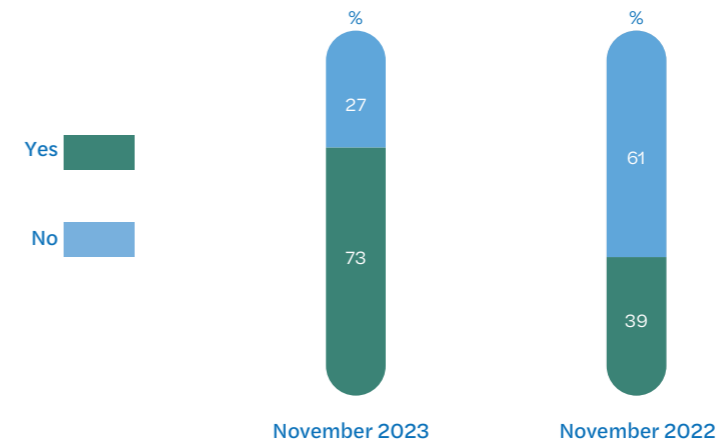
Detailed survey results

Has your Board and/or Executive Committee considered the impact of SEAR/IAF in the past 12 months?

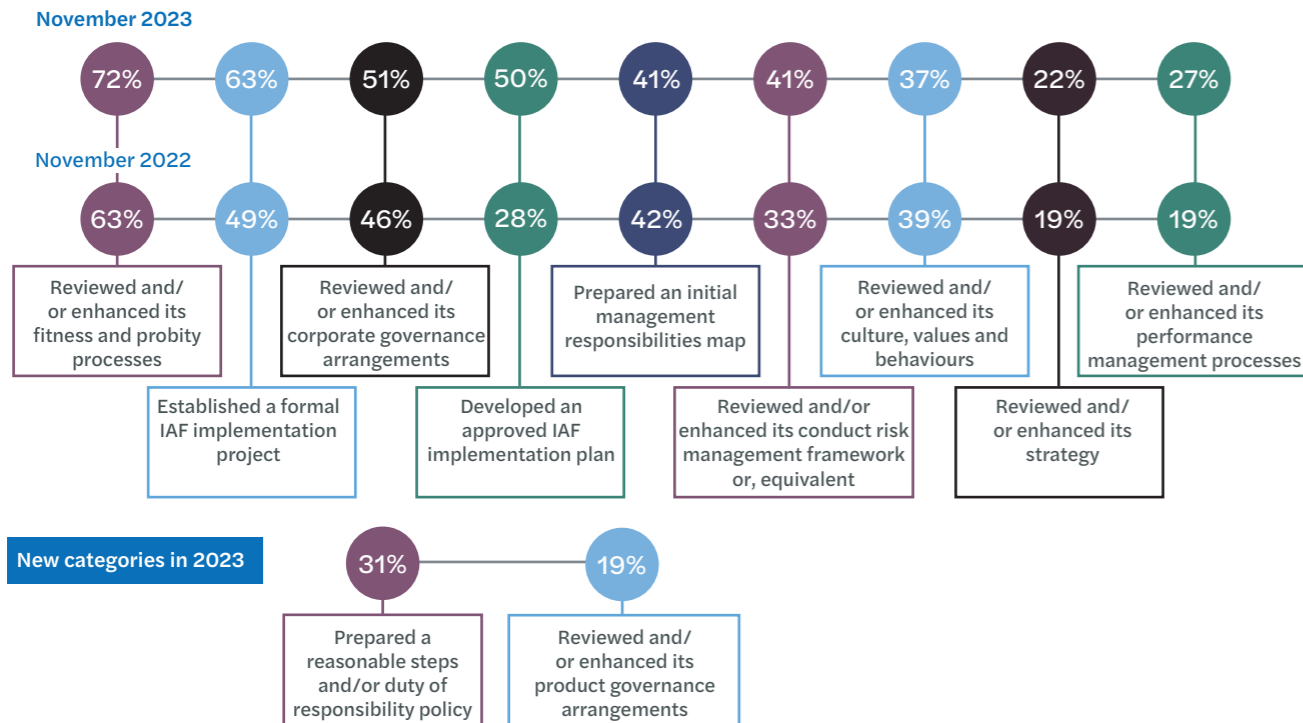


Detailed survey results

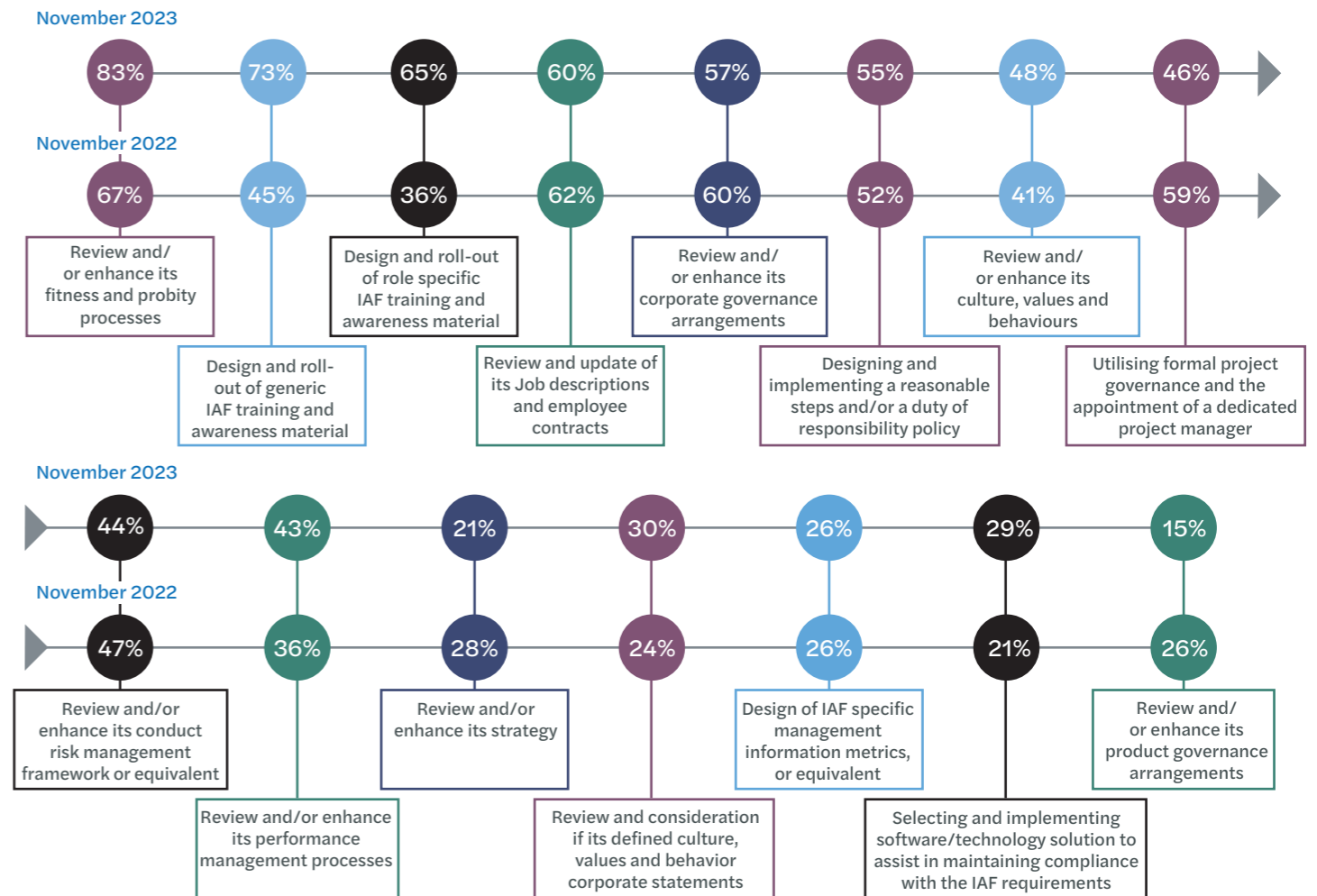
Where you noted that your firm HAS established an IAF implementation plan, do you have knowledge of the contents and actions documented in the IAF implementation plan?



What steps/actions has your firm taken in preparation for the IAF?

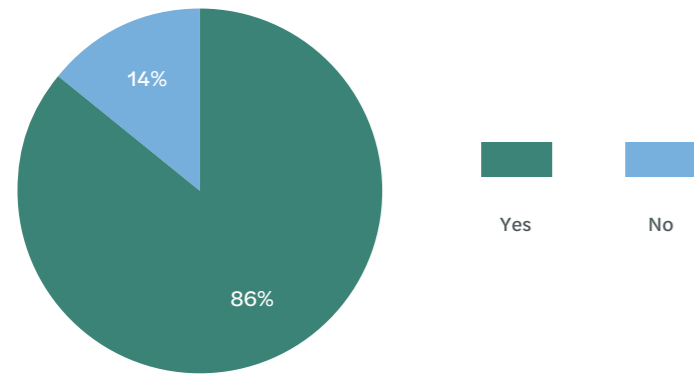


What are the key activities/actions documented in your IAF implementation plan?

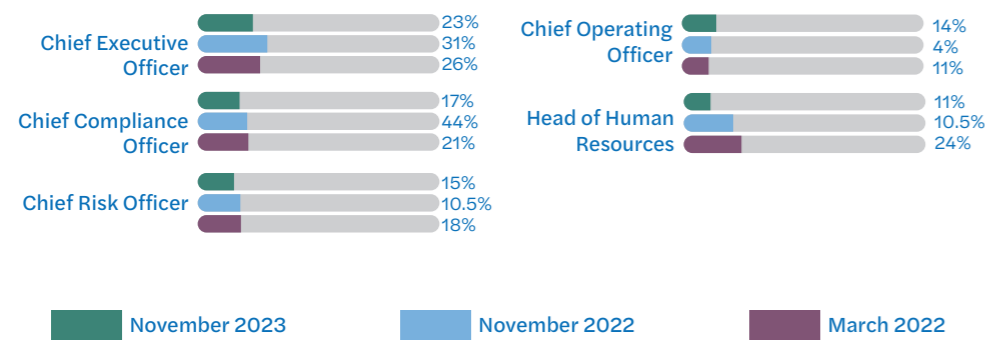


Detailed survey results

Is your firm confident that it will achieve implementation of the fitness and probity enhancements (e.g., certification requirements and conduct standards) by the current deadlines?

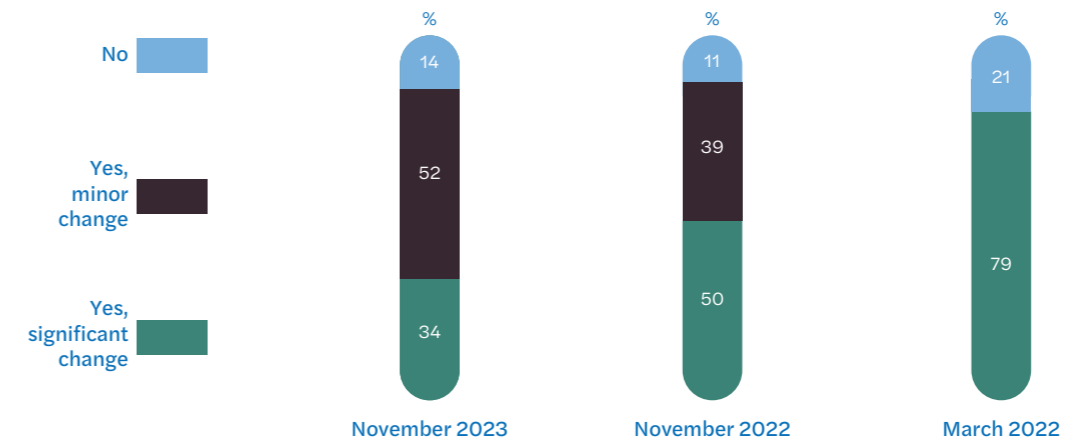


Where your firm has established a formal project, who is the sponsor of the project?



Detailed survey results

Do you think the IAF requirements will bring about meaningful positive change in culture and behaviours in the financial services industry?

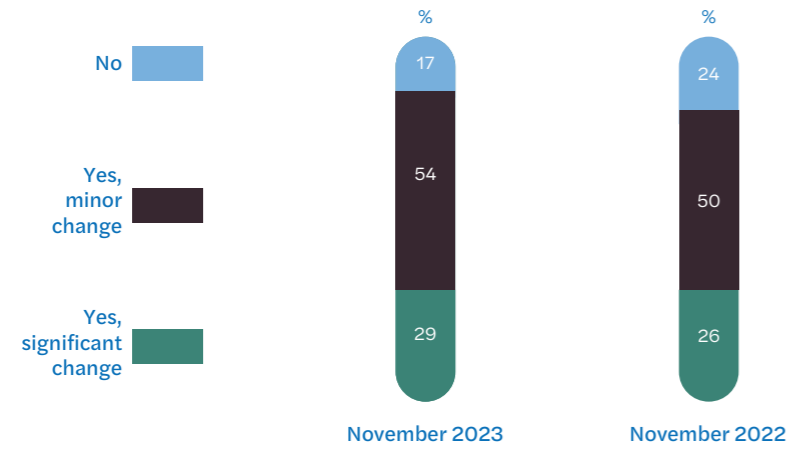


Do you think the IAF requirements will lead to financial services professionals becoming more risk averse in their decision making?



Detailed survey results

Do you think the implementation of the IAF requirements will result in financial services customers (i.e., corporate and retail) experiencing better customer outcomes?

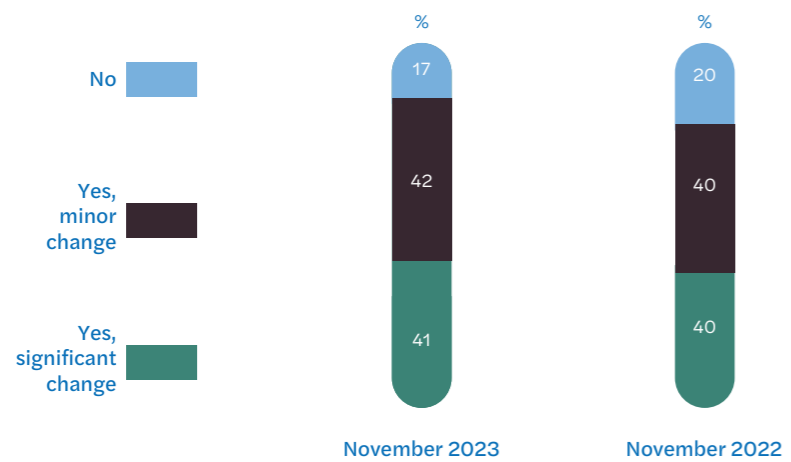


Detailed survey results

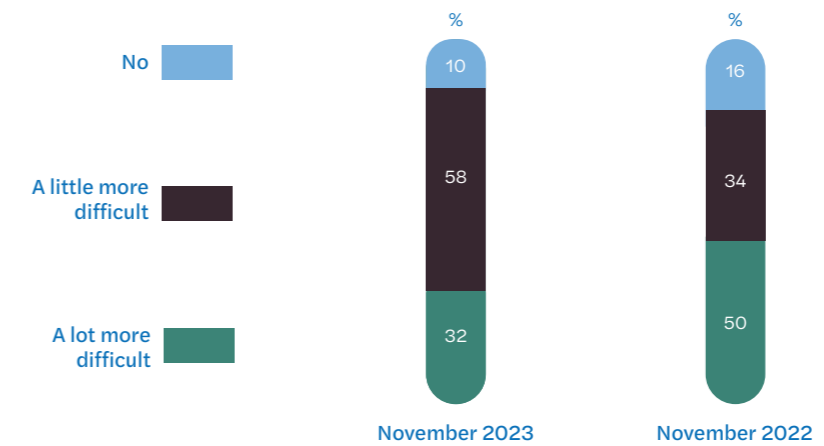
Do you think that there is an increased personal risk for individuals taking a PCF role in the future as a direct consequence of the IAF requirements?



Do you think the IAF requirements will impact overall business performance?

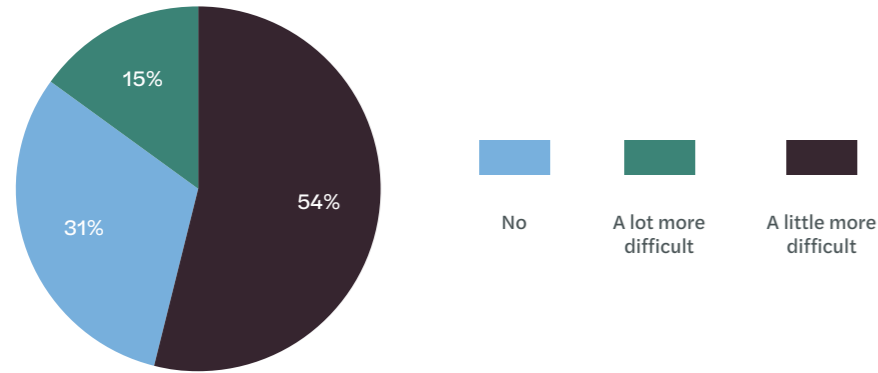


Do you think the implementation of the IAF requirements will make it more difficult for impacted firms to recruit individuals into PCF roles?



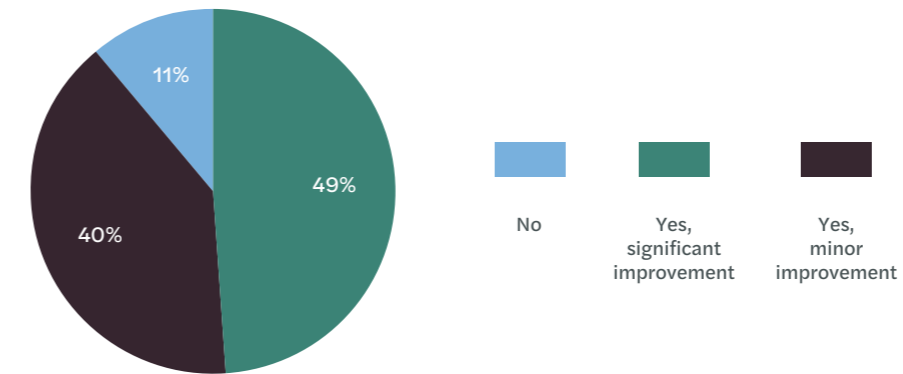
Detailed survey results

Do you think the implementation of the IAF requirements will make it more difficult for impacted firms to recruit individuals into CF roles?

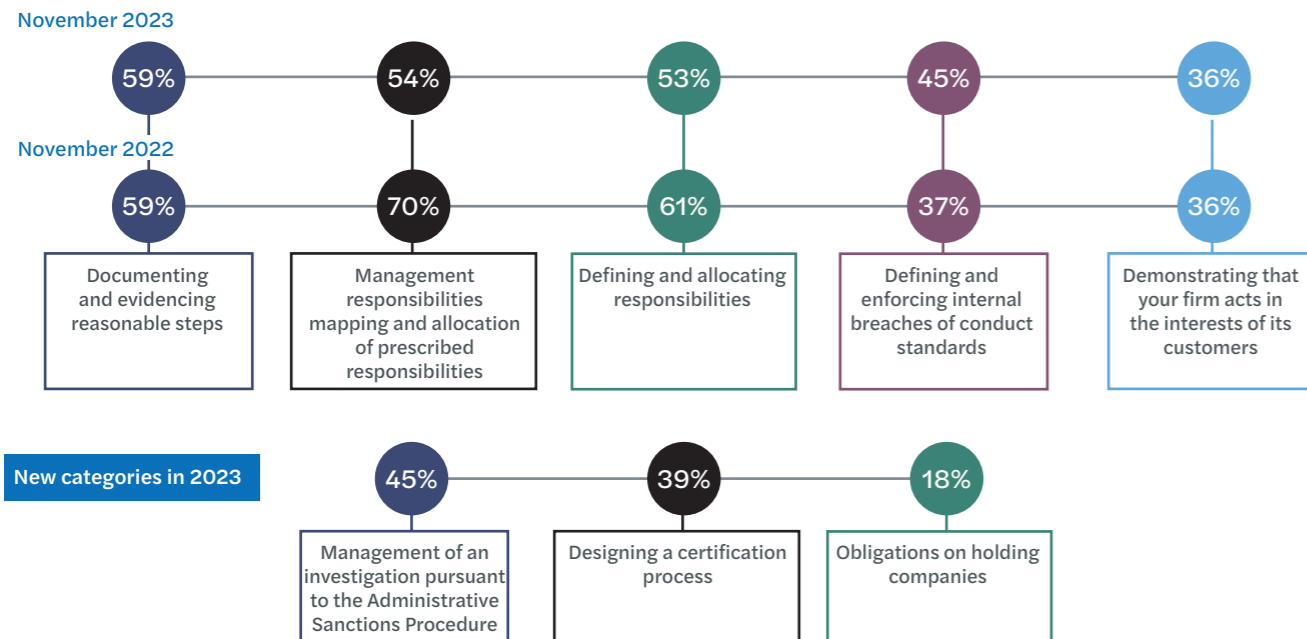


Detailed survey results

Do you believe that your firm's IAF readiness has improved when compared to this time last year?



What aspects of the IAF requirements would you value greater clarity with respect to regulatory expectations and/or what good practice looks like?



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