



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Notice of Intention

ADDITIONS TO THE LIST OF PRE- APPROVAL CONTROL FUNCTIONS (PCFs)

25 February 2020

Notice of Intention

The Central Bank of Ireland proposes to:

1. Introduce three new Pre-Approval Controlled Functions (PCFs):
 - Chief Information Officer (under the ‘General’ category);
 - Head of Material Business Line (under the ‘Banking’ category);
 - Head of Market Risk (under the ‘Banking’ category).
2. Split PCF-39 Designated Person into six PCF roles aligned to the specific managerial functions.

1. New PCF roles

In accordance with Part 3 of the Central Bank Reform Act 2010, the Central Bank of Ireland (the Central Bank) intends on prescribing certain functions¹ as PCFs. The new PCF roles² are being introduced on the basis of (i) the increasing importance of and reliance on information technology within regulated financial service providers (RFSPs), and (ii) the changing landscape of the banking sector in Ireland due to Brexit, including the entry/expansion of investment banks/broker-dealer firms with significant capital markets activity.

PCF-49 Chief Information Officer will be applicable to all RFSPs other than credit unions. PCF-50 Head of Material Business Line and PCF-51 Head of Market Risk will be applicable to Credit Institutions within the meaning of the European Union (Capital Requirements) Regulations 2014.

General	
PCF-49	Chief Information Officer
	The Chief Information Officer role will typically apply to the most senior individual at the RFSP with responsibility for IT matters. The onus will be placed on the RFSP to review its function to determine whether the role meets the substance of a Chief Information Officer role.
Banking	
PCF-50	Head of Material Business Line
	A material business line will be one which satisfies either of the following quantitative criteria: <ul style="list-style-type: none"> a) has gross total assets equal to or in excess of €10 billion; or b) accounts for 10 per cent or more of the credit institution’s gross revenue.

¹ Such functions already fall within the meaning of “controlled function” as prescribed by SI 437 of 2011.

² Section 22 of the Central Bank Reform Act 2010 enables the Central Bank to prescribe by regulation pre-approval controlled functions.

PCF-51	Head of Market Risk
	<p>The role will become applicable in credit institutions whereby the market risk of the credit institution satisfies either of the following quantitative criteria (as reported in quarterly regulatory returns):</p> <ul style="list-style-type: none"> a) €500m of market risk (including Credit Valuation Adjustment) risk weighted assets; or b) €100bn of notional derivatives traded.

2. Split of PCF-39 role

The Central Bank’s UCITS Regulations, the Central Bank’s AIF Rulebook requirements (the Rules) and the Central Bank’s Fund Management Companies – Guidance 2016 (the Guidance) include a requirement that the Board of the Management Company shall be responsible for six key managerial functions. The monitoring and control of each of the managerial functions on a day-to-day basis may be delegated to Designated Persons. As such, the Central Bank proposes to split PCF-39 into six new PCF roles aligned to the specific managerial functions set out in the Rules and the Guidance as follows:

UCITS Self-Managed Investment Company / Management Company	
PCF-39	Designated Person
PCF-39A	Designated Person with responsibility for Capital and Financial Management
PCF-39B	Designated Person with responsibility for Operational Risk Management
PCF-39C	Designated Person with responsibility for Fund Risk Management
PCF-39D	Designated Person with responsibility for Investment Management
PCF-39E	Designated Person with responsibility for Distribution
PCF-39F	Designated Person with responsibility for Regulatory Compliance

The Central Bank invites comments from stakeholders on this proposal. Comments should be submitted by email to governanceconsultations@centralbank.ie no later than 14 April 2020.

Annex - FAQs

Why introduce the role of Chief Information Officer as a new PCF role?

The advancement of information technology (“IT”) is changing the way business is conducted in the financial services industry. Given this increased role of technology in financial services, as well as the risks posed by IT, the Central Bank deems it appropriate to introduce the Chief Information Officer as a PCF role.

Will the Chief Information Officer role apply at all RFSPs?

The onus will be placed on the RFSP to review its function to determine whether the role meets the substance of a Chief Information Officer role. The role will typically apply to the most senior individual at the RFSP with responsibility for IT matters. This may be referred to as ‘Chief Technology Officer’ or other similar role titles in some instances.

While not limited to the following circumstances, the Central Bank expects that the Chief Information Officer role would likely apply where:

1. The RFSP has a PRISM impact rating of High or Medium High;
2. Information Technology is a key enabler or core element of the RFSP’s business model.

Why introduce the role of Head of Material Business Line as a new PCF?

The role of Head of Material Business Line would typically include responsibility for management of a material business line at a credit institution (including balance sheet and P&L management) which would be considered capable of having an impact on the safety and soundness of the credit institution on account of the commercial or strategic importance of that business line. It is anticipated that this role would usually be held by a senior individual with a direct reporting line to the CEO. Given the changing landscape of the banking sector in Ireland, the Central Bank deems it appropriate to introduce the Head of Material Business Line role.

How does the Central Bank define a ‘Material Business Line’?

A Material Business Line is one which satisfies either of the following quantitative criteria:

- a) has gross total assets equal to or in excess of €10 billion;
or
- b) accounts for 10 per cent or more of the credit institution’s gross revenue.

The role will only apply to credit institutions.

Individuals who are already pre-approved as PCF 17 - Head of Retail Sales or PCF 21 - Head of Treasury will not be required to also seek pre-approval as a Head of Material Business Line.

Why introduce the role of Head of Market Risk as a new PCF role?

The materiality of market risk at some credit institutions authorised by the Central Bank has increased in recent years. Given the importance of the role, the Central Bank deems it appropriate to introduce it as a PCF role.

Will the Head of Market Risk apply to all credit institutions?

No. A risk based approach will be adopted whereby the Head of Market Risk role will only apply where the level of market risk is deemed to be material by the Central Bank. The role will only apply in credit institutions whereby the market risk of the credit institution satisfies either of the following quantitative criteria³:

- a) €500m of market risk (including Credit Valuation Adjustment) risk weighted assets;
- or
- b) €100bn of notional derivatives traded.

Why split the role of a designated person – PCF-39 - into six different roles?

PCF 39 is being split into six roles to correspond to the specific managerial functions set out in the Central Bank's UCITS Regulations, AIF Rulebook and the Fund Management Companies Guidance.

Will persons already in situ for the above roles be required to seek approval from the Central Bank to continue to perform their PCF role?

No. Persons in situ on the date the amended regulations come into effect will not be required to seek the approval of the Central Bank to continue to perform one of the new PCF roles. RFSPs will be required to review their assessment under Section 21 of the Central Bank Reform Act 2010 in respect of persons in situ and submit confirmation of such an assessment to the Central Bank. This process will commence after the amended Regulations come into effect and a period of six weeks will be provided to submit the in situ confirmation. Should the person in the role change after the new PCF roles have

³ As reported in quarterly COREP and FINREP regulatory reporting.

been introduced, he/she will be required to seek the Central Bank's prior approval in writing to that appointment by means of a new IQ submission.

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