



INSTITUTE OF DIRECTORS
IN IRELAND



The Importance of Fitness, Probity and Ensuring Responsibility

with Derville Rowland, Central Bank of Ireland

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A shared desire for good corporate governance standards

Central Bank of Ireland:

A well-run, resilient and effectively regulated financial services sector that works in the interests of the community.

Institute of Directors:

Be the leading authority on, and influencer of, good corporate governance standards in Ireland for directors and boards...



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The importance of effective culture

- No two firms will share precisely the same culture
- But organisations with effective culture will share commitment to high standards
- Importance of tone from the top, and critical role of directors, cannot be overstated
- EG: Manner in which a board handles deviations from good practices, breaches of policy or procedure, or lack of respect for control functions
- When faced with a dilemma, natural instinct must be to do the 'right thing'
- *"Strong evidence of a link between organisational culture and bank risk – banks with poorer cultures are substantially more risky"*

- emerging BoE staff research

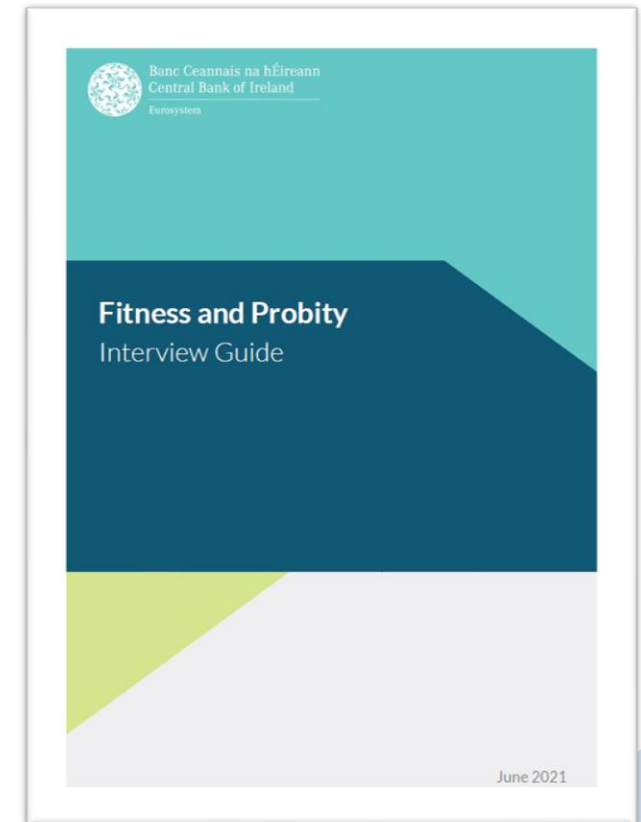


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Fitness & Probity – a decade on

- Effective culture is about people – the right people focused on doing the right things in the right way
- F&P regime introduced as part of the post-financial crisis reforms
- Seeks to ensure that regulated firms and individuals are committed to high standards and held to account when they fall below these standards
- Three pillars:
 - ***Regulated Firms' Ongoing Obligations***
 - ***Gatekeeper function***
 - ***Investigations***
- Launching **Interview Guide** today to assist firms and applicants



Individual Accountability Framework

- An effective regulatory framework must drive strong and effective governance within firms
- Allocation of responsibilities within firms therefore must be clear and comprehensive
- Individuals need to know what they are responsible for, to be clear what standards are expected of them, and that if their actions fall short, they will be held accountable
- Individual Accountability Framework proposals include:
 - Introduction of conduct standards for individuals and regulated firms
 - The Senior Executive Accountability Regime (SEAR);
 - Enhancements to F&P and ASP Regimes.
- IAF components are separate but complementary – both to each other and to the F&P regime



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Diversity & Inclusion

- Diversity and inclusion essential to good governance standards
- F&P regime - one of the ways in which we are measuring progress
- More needs to be done to increase the diversity of experience, thought and background at senior levels to improve decision-making & risk management
- We will continue to require improvements in this area; undertake detailed and thematic reviews; and publish research and information
- Firms should have and implement a board approved D&I strategy, which aligns to the business strategy of the firm
- Firms should rethink their governance structures, processes, policies and procedures including talent management through a D&I lens

