

Notice of Intention to Create New Pre-Approval Control Functions

On 25 February 2020, the Central Bank of Ireland (“**Central Bank**”) published a **notice of intention** outlining proposals to make additions to the list of pre-approval control functions (“**PCFs**”).

The Central Bank proposes to introduce three new PCFs:

- Chief Information Officer (General);
- Head of Material Business Line (Banking); and
- Head of Market Risk (Banking).

The Central Bank also intends to split the PCF-39 Designated Person role into six PCF roles aligned to the specific managerial functions of fund management companies.

New PCF Roles

According to the Central Bank, the three new roles are being introduced on the basis of:

- the increasing importance of and reliance on information technology (“**IT**”) within regulated financial service providers (“**RFSPs**”); and
- 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.

The Central Bank notes that PCF-49 (Chief Information Officer) will be applicable to all RFSPs other than credit unions and that 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.

The Central Bank states that, given the 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. While not limited to the following circumstances, the Central Bank expects that the Chief Information Officer role is likely to apply where:

- the RFSP has a PRISM impact rating of High or Medium High; and
- IT is a key enabler or core element of the RFSP’s business model.

New Designated Person PCF Roles

The splitting of PCF-39 (Designated Person) into six new PCF roles, aligned to the specific managerial functions set out in the Central Bank’s AIF Rulebook and the Central Bank’s Fund Management Companies – Guidance 2016, will create the following new PCF roles:

- Designated Person with responsibility for Capital and Financial Management;
- Designated Person with responsibility for Operational Risk Management;
- Designated Person with responsibility for Fund Risk Management;
- Designated Person with responsibility for Investment Management;
- Designated Person with responsibility for Distribution; and
- Designated Person with responsibility for Regulatory Compliance.

The Central Bank states that 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. The firm will be required to assess the existing PCF holders and submit confirmation of such assessment within six weeks of the regulation coming into effect. Should the person in a role change after the new PCF roles have 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 individual questionnaire (“**IQ**”) submission.

The Central Bank invited comments from stakeholders on its proposed changes requesting that these be received by **26 March 2020**.