



## Financial services quarterly newsletter

### Issue 1

**Welcome to the first edition of our Financial Services Quarterly newsletter. In this issue, we delve into the dynamic world of prudential risk management and explore the latest insights, strategies and developments shaping the financial landscape.**

Throughout the last quarter, there have been several developments across all sectors including the proposed updates to the Consumer Protection Code, the implementation of IAF and the general move towards sustainability in the financial sector. The introduction of MiCAR has been the most high-profile regulatory development within the technology sector and the Central Bank of Ireland (CBI) has put an increased focus on Payments Institutions and Electronic Money Institutions, classing them as a sector with material levels of growth with increasing levels of risk.

In banking, the EU onboarded Basel III through its adoption of Capital Requirements Directive (CRD VI) and Capital Requirements Regulation (CRR 3) although the key Fundamental Review of the Trading Book (FRTB) reforms have been delayed to January 2026. Following the UK Gilt crises of September/October 2022, the CBI issued its final measures for GBP LDI investments funds.

In the insurance sector, EIOPA issued its final report on greenwashing and gave recommendations on the non-life and intermediary sector. Retail Credit firms were recently issued a 'Dear CEO' letter communicating the requirement to cease the practice of Discretionary Commission Arrangements.

Firstly, we look back 10 years to the anniversary of the EU implementation of Markets in Financial Instruments Directive (MiFID II).



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## Look back – 10 years since MiFID II/MiFIR

Both MiFID 2 and Regulation (EU) No 600/2014 entered into force 10 years ago on 2 July 2014 and while Ireland only adopted it in January 2018, it has had a huge impact on the sector.

This was a significant overhaul of the pre-existing Directive. MiFID II/MiFIR widened the scope of application to include a broader group of firms and instruments than were affected under MiFID I. The main goals were to:

- Move more trading to regulated venues.
- Enhance investor protection.
- Introduce requirements on trading venues and firms using HFT.

- Provide non-discriminatory access to trading and post-trading services.
- Strengthen pan-European regulatory supervision and cooperation between national competent authorities (NCAs).

Has MiFID II had the desired effect and met its goals? Many believe more needs to be done in this area to ensure safeguarding and regulatory outcomes are met, but without hindering growth of these sectors.

We are keeping our eyes and ears open to follow the regulatory conversations on a possible MIFID III and whilst there's nothing to note yet, we can only say that a MiFID 3 will be likely to come soon.

## Sectoral Review

### Banking

In Banking, the EU adopted CRD VI and CRR III, designed to make banks more resilient by adopting the Basel III standards. While the rules will cover all banks in the EU, there is a particular focus on the harmonisation and supervision of third country banks in the EU. Some additional features are the introduction of an 'output floor' which limits the risk of excessive reductions in banks' capital requirements, enhancements to the prudential regime for crypto assets and the management of ESG risks. The EU had initially planned to implement all of the reforms in early 2025 but will now delay the implementation of the FRTB to January 2026 to align the implementation dates with other jurisdictions. The FRTB incorporates more sophisticated risk measurement techniques that aim to align capital charges more closely to the actual risks that banks are facing in their activities in capital markets. We issued our own views on the projected implementation of the [CRR III/CRD IV](#) Banking Package.

### Insurance

On 4 June 2024, EIOPA, along with other ESA's, issued its [final report](#) on greenwashing risks and the supervision of sustainable finance policies. In the report, EIOPA highlighted that its market monitoring has revealed a growing number of potential greenwashing cases across the single market. In EIOPA's final report, we suggest potential

improvements to existing regulation by clarifying what non-life insurance products with sustainability features are and by adopting a more consumer-centric approach in the Insurance Distribution Directive (IDD).

### Asset Management

With the Markets in Financial Instruments Directive/ Markets in Financial Instruments Regulation (MiFIDS/MiFIR) review underway, we expect to see a number of Consultation papers issued by ESMA as well as amendments due to Capital Requirements Directive VI (CRD VI) and Capital Requirements Regulation 3 (CRR 3). In an earlier [article](#), we have provided our own projected implementation of the CRR III/CRD IV Banking Package.

### E-Money and Payments Institutions

It is evident that the CBI is increasingly troubled by the level of deficiencies uncovered during supervisory reviews in the Electronic Money and Payments Institution sectors. A number of speeches reference the sector and in its January 2023 '[Dear CEO](#)' letter, the CBI outlined five key areas of concern that require attention across the sector. This as a warning for the sector as a whole and all firms within the sector should strongly consider the communication. We suggest firms assess themselves against these areas of concern to ensure that they are in strong position for any impending regulatory reviews and have covered

this in our insights into the [CBI focus](#) on the sector and on [Winddown Plans](#).

## Funds

On 11 April 2024, the CBI introduced [macroprudential measures](#) for Irish-authorized GBP-denominated Liability Driven Investment (LDI) funds. Following the market disruption in September/October 2022 in the UK gilt market, these measures are aimed at strengthening the resilience of these funds to reduce the risk to the UK gilt market.

## Retail Credit Firms

On 12 June 2024, the CBI issued a 'Dear CEO' letter to Retail Credit firms providing motor finance to consumers through an intermediary or dealer network. This [letter](#) advises firms of the requirement to cease the practice of Discretionary Commission Arrangements (as soon as possible but no later than 31 July 2024).

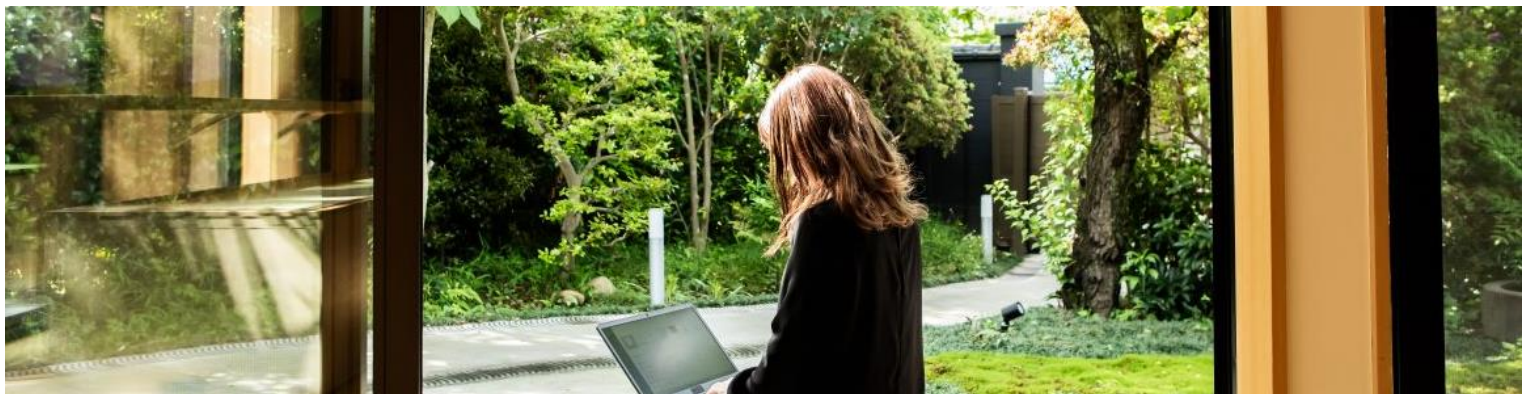
Since 5 July, the impacted firms were required to provide to the CBI Board confirmation that they will cease any such arrangement and the date from which it has/will cease. Firms are also required to confirm that they will complete a review of their disclosure of

commission arrangements to consumers in accordance with both current and proposed Consumer Protection Code requirements. Any resultant changes to documentation must be made by 30 August and the outcome of the review must be provided to the CBI by the 30 September.

## Markets in Crypto Asset Regulation (MiCAR)

The implementation of the MiCAR sees the long awaited consistent and coordinated regulation of crypto assets and crypto asset service providers (CASPs) in the EU. MiCAR intends to address many of the consumer, operational and financial crime risks by bringing the crypto-asset sector into the remit of national regulators, (for Ireland this being the CBI). Firms who wish to issue ARTs and EMTs, MiCAR came into effect on 30 June 2024, while for CASPs the effective date is 30 December 2024 (it should be noted that there are transitional arrangements for current providers).

We recently wrote an [article](#) for the Compliance Institute on the implementation and drafted series of technical insights, including the MiCAR impact on VASPs, crypto-asset white papers and navigating the regulatory framework for Asset-Referenced Tokens. Jump to page 28 to read our MiCAR commentary.



## Cross Sectoral Review

### Consumer Protection Code Consultation

The Consumer Protection Code 2006 ('the Code') was introduced in August 2006 and it came fully into effect on 1 July 2007. The Code set out the requirements that regulated firms must comply with when dealing with consumers in order to ensure a similar level of protection for consumers, regardless of the type of financial services provider.

In May 2008, the CBI produced an Addendum to the [Consumer Protection Code](#) in respect of the activities of retail credit firms and home reversion firms, to meet our new regulatory responsibilities in respect of these firms as set out in the Markets in

Financial Instruments & Miscellaneous Provisions Act, 2007.

The CBI is now conducting a comprehensive review of the Consumer Protection Code 2012. The purpose of the review is to deliver an updated and modernised Consumer Protection Code which is centred on securing customers interests and delivering positive consumer outcomes.

The CBI launched a Consultation Paper on 7 March which provided an opportunity for stakeholders to provide feedback on how the CBI is proposing to update the Code. The consultation closed on 7 June 2024.

The CBI aims to:

- Ensure firms effectively incorporate customers' interests into their strategy and decision making.
- Provide clarity for firms on their consumer protection obligations.
- Support consumers and firms in accessing and navigating the Consumer Protection Code through the provision of online supports, guides and explainers.

Following completion of the consultation process, the CBI expects to publish the revised Code in early 2025 with implementation to occur in 2025/2026.

## Individual Accountability Framework

The [Individual Accountability Framework](#) Act 2023 (IAF) was signed into law on the 9 March 2023 and is comprised of four key elements: the Senior Executive Accountability Regime (SEAR), Conduct Standards, Enhancements to the current Fitness and Probity Regime and Enhancements to the Administrative Sanctions Procedure.

In April 2024, the CBI released additional [guidance](#) on the IAF and in July released IAF - [Questions from Stakeholders](#).

### Conduct Standards

The Conduct Standards have applied since December 2023, requiring regulated firms to implement a set of standards which apply to all Controlled Function (CF) roles.

### Administrative Sanctions Procedure

With the Enhancements to the [Administration Sanctions](#) Procedure, the Central Bank now has the

ability to take enforcement action against any individuals who have breached their professional obligations. This is inclusive of those set out within the Conduct Standards rather than only for their participation in breaches committed by the regulated firm. The guidelines have been in effect since 13 December 2023.

### Fitness and Probity Regime

The current Fitness and Probity Regime has been enhanced to include a certification process applied since 8 January 2024.

### Senior Executive Accountability Regime (SEAR)

[SEAR](#) requires firms to clearly set out where responsibility and decision-making lie within the firm's senior management. The purpose of the regime is to improve governance, performance and accountability within firms.

It was applied in respect of executive PCF roles at in-scope firms from 1 July 2024.

Individuals who hold a PCF role at in-scope firms are subject to SEAR. SEAR requires that each PCF has a documented Statement of Responsibilities (SoR) which clearly sets out their role and indicates their Inherent Responsibilities, Prescribed Responsibilities and any other responsibilities which have been allocated to them. The SoR should promote clarity and transparency of individual responsibilities to firms and the CBI.

### Anti-Money Laundering (AML)

The [AMLA](#) Regulation EU 2024/1620 of 31 May 2024 established the Authority for Anti-Money Laundering and Countering the Financing of Terrorism. The Anti-Money Laundering and Countering the Financing of Terrorism Authority (AML/CFT) will be established in Frankfurt and will be tasked with directly supervising the riskiest financial entities, intervening in supervisory failures and acting as a central hub and mediator for supervisors.

The aim of the EU Authority will be to transform the AML/CFT supervision in the EU and enhance cooperation among financial intelligence units (FIUs).

The AML/CFT package includes the sixth AML directive, the EU 'single rulebook' regulation and the Anti-Money Laundering Authority (AMLA).

## Sustainability regulatory developments

On 29 February, following the CBI 2024 Regulatory & Supervisory Outlook [report](#), the CBI issued a 'Dear CEO [Letter](#)' highlighting its supervisory priorities and outcomes they seek to deliver. As a priority, the CBI advised that 'Climate change and net zero transition are addressed'. The CBI expects regulated entities to implement steps to respond to climate change and contribute to the net zero economy target. It also calls out the requirement to integrate climate change risks in the risk management framework and to identify how a regulated entity can enhance their commitments to sustainable finance. The CBI has plans to carry out analysis to assess the flood protection gap in Ireland as well as reviewing potential greenwashing relating to the sale of financial investments.

As stated earlier, from 1 July 2024 the CBI SEAR regulations came into force for management PCF roles in regulated firms. As part of this, a SEAR requirement is that all pre-approved controlled PCF role holders must have in place management responsibility maps. These allocate a list of defined prescribed responsibilities (PR) to PCFs in order that their key responsibilities are clearly identified and mapped to their role.

A PR for climate change has been established in the SEAR Regulations as PR24 'Responsibility for managing financial risks from climate change'. With this responsibility to be formally allocated, the PCF owner may consider undertaking an exercise to understand how the financial risks from climate change are being practically managed in the organisation and whether any action is required to strengthen the approach to support execution of PR24.

## Firm news

This June, we began our next new and exciting chapter. Mazars joined forces with Forvis, a top ranked firm in the United States, creating a new two-firm global network, Forvis Mazars. This partnership makes us a Top 10 global firm and the largest entrant into global rankings in recent decades.

Our commitment to our clients and excellent service has stayed the same. With a truly global reach and our multidisciplinary approach, we can continue to provide clients with personalised support that adapts to their changing needs and helps them achieve sustainable growth.



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Forvis Mazars in Ireland is a leading international audit, tax, advisory and consulting firm. Operating as a united partnership, Forvis Mazars works as one integrated team, leveraging expertise, scale and cultural understanding to deliver exceptional and tailored services in audit, assurance, tax, consulting, financial advisory, corporate finance and financial outsourcing. With 37 partners and 800+ staff based in Dublin, Galway and Limerick, the Irish firm draws on the expertise of more than 40,000 professionals in over 100 countries to assist major international groups, SMEs, private investors and public bodies at every stage in their development.

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