



**IBCB Conduct Standards
Core Components**



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IBCB Conduct Standards Core Components

Purpose

This document captures the core components involved in implementing the CBI Conduct Standards and is designed as a guide to support smaller financial institutions in their preparation for and/or ongoing embedding of the Conduct Standards. Inputs to this document were sourced from one-to-one interviews with Irish Banking Culture Board member banks (AIB, Bank of Ireland, Permanent TSB), and a review of documentation they shared on a confidential basis. Some of the core components are based on legally binding requirements with the IAF Act¹, and others are included as examples of best practice.

At the point of developing this document, the Conduct Standards are still at a relatively early stage in embedding in Ireland (five months post implementation). A further period of months will allow further embedding and enhancement within financial services providers and within the Central Bank of Ireland. This may result in additional best practice examples, lessons learnt, and other valuable insights being identified.

Background

The Central Bank Individual Accountability Framework Act¹ **Error! Bookmark not defined.** was published in 2023. Conduct Standards became applicable on 29th December 2023, and the Senior Executive Accountability Regime (“SEAR”) was applicable from 1st July 2024.

In Jan 2024, the IBCB Board approved an initiative to support the Irish Banking Sector on its journey to implement the Central Bank of Ireland Individual Accountability Framework (“IAF”). This initiative will deliver practical case studies focused on the IAF Conduct Standards, sharing best practice across the sector and leveraging leading academic expertise in relation to some of the most challenging legal and governance aspects.

A project team comprising leading academics from University College Dublin and Trinity College Dublin, a research assistant, Irish Banking Culture Board and a project manager was put in place in February 2024 to complete this project. A working group comprising nominated representatives from IBCB member banks (AIB, Bank of Ireland and PTSB) was established to share their experience in application and implementation of the conduct standards, thus far. This document forms an appendix to the Conduct Standards Case Studies.

Note

The number of Control Function role holders in scope for the Conduct Standards will vary according to the size and nature of a financial services provider and depending on the number of customer facing roles.

Across the three IBCB member banks, approximately 50% of all staff (> 10,000 employees across the three banks) were identified as being CF role holders, ranging from junior welcome person in a branch to more senior CF people managers. As a result, the three banks adopted a thoughtful approach to their implementation of the Conduct Standards, focusing on supporting the CF role holders in understanding their regulatory obligations through development of tailored training modules and guidance documents written in clear jargon free language.

¹ Central Bank of Ireland Individual Accountability Framework Act 2023

Conduct Standards Implementation – Core Components



This section identifies seven core components covering all aspects of Conduct Standards implementation. This list is non-exhaustive and may vary depending on the size of a financial services provider.

1)Governance Arrangements

There are a number of governance dimensions to be considered when implementing the Conduct Standards:

- Project structures for initial implementation of the Conduct Standards
- Responsibility for embedding the Conduct Standards
- Committees to oversee breaches of Conduct Standards
- Executive and Board committees – role in oversight of Conduct Standards
- Functional team responsibilities across the three lines of defence

Project Structure: In all three Retail Banks, a Conduct Standards Project Workstream was put in place as part of an overall CBI Individual Accountability Framework Programme. Suggested stakeholders in this workstream include People Services, Legal, Retail Banking Division.

Responsibility for Embedding the Conduct Standards: The CBI requires that a named individual is identified as holding the role of “PR3 – individual responsible for embedding the conduct



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standards”. For firms outside the scope of SEAR, the CBI expects this role to sit with the CEO. For firms in scope of SEAR, the PR 3 role should oversee the provision of training in respect of the Conduct Standards. The PR3 role holder will typically be the owner of the Conduct Standards Policy and oversee the implementation.

Executive and Board committee’s role in oversight of the Conduct Standards:

Existing Board and Executive Committees may require update to their Terms of Reference to capture their roles in oversight of the Conduct Standards. For example:

- **Board:** Responsible for oversight of the implementation of the Conduct Standards. Responsible for setting and overseeing the expectations around culture and conduct, including adherence to Conduct Standards.
- **Nominations Committee/Remuneration Committee:** Responsible for supporting the Breach Management process as appropriate in relation to a member of the Board, ExCo and/or PCFs. Approves the IAF Conduct Standards Policy upon recommendation of ExCo.
- **Executive Committee:** Responsible for implementation/embedding of the Conduct Standards throughout the organisation. The CBI expectation is that the firm’s training programme in relation to Conduct Standards should be subject to oversight and challenge by senior management (Ref 4.31 **Error! Bookmark not defined.**). The CBI also expects that Senior management should ensure that it is provided with timely and effective management information in relation to Conduct Standards training, and that appropriate remediation action is taken where required (Section 4.32 **Error! Bookmark not defined.**).

Committee to oversee breaches of Conduct Standards

Managing and reporting on breaches of Conduct Standards is a critical aspect of the Conduct Standards. There are still some grey areas around materiality and mechanisms for reporting breaches which will become clearer as processes embed within the CBI and financial services providers.

Breaches of the Conduct Standards are required be reported to the Central Bank of Ireland. The CBI expects that firms monitor the CF and PCF population for adherence to the Conduct Standards and to build processes to factor in breaches of conduct standards to performance management processes. “*Consider how failure to meet the Common Conduct Standards could be linked to matters such as performance review and promotion in order that such standards become meaningfully embedded in the culture of the firm*” (4.35²).

Options include utilising an existing committee (e.g. Fitness & Probity Committee) to manage and oversee breaches of conduct standards by CF and PCF role holders or setting up a up new committee specifically to oversee breaches of the Conduct Standards.

² Central Bank of Ireland Guidance on the Individual Accountability Framework [appendix-2-to-the-feedback-statement-to-cp153-guidance-on-the-iaf.pdf](#)



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Functional Team Responsibilities Across the 3LOD

The Conduct Standards introduce new processes and legally binding duties on in-scope organisations. To avoid confusion, it is recommended that roles and responsibilities of all impacted teams/departments are defined. This could be documented in the Conduct Standards Policy. The following are some suggestions; however, ownership models will vary by organisation.

- **Conduct Standards Team:** Their role spans: communication with CF/PCF role holders, identification, notification, reporting, development of training materials, tracking, supporting CF role holders in development of reasonable steps
- **HR:** Policy development, breach management (dependant on organisation model), oversight of Conduct Standards training,
- **Company Secretariat:** Maintenance of board member records of compliance with IAF/Conduct Standards, Terms of Reference, Board induction and training
- **Risk /Compliance Divisions** (second line): Oversight, integration into risk policies, review and challenge, reporting
- **Audit** (third line): Breach investigations, internal audit assurance
- **PCF/CF line managers:** Line managers of CF / PCF role holders have responsibility for supporting their CF team members. For example: identification of in-scope role holders, oversight of performance, monitoring of training, escalation of breaches, etc.

2)Code of Conduct

A Code of Conduct document is a positive way to set out the tone from the top, together with information on the values, purpose, culture and expected behaviours. If this is already in place, it may need to be updated to incorporate the Conduct Standards, to show how these align with the expected behaviours and culture.

Section 53H of the CBI Act¹ sets out the CBI expectation regarding integration of the Conduct Standards into the behaviours and culture of the organisation. *“Firms should develop appropriate policies as to how the Common Conduct Standards will be incorporated into the firm’s culture in order to drive the right behaviours and standards”.*

AIB and BOI’s Codes of Conduct incorporate the Conduct Standards and are publicly available.

- Bank of Ireland Code: [BOI-Group-Code-of-Conduct-2024.pdf \(bankofireland.com\)](https://www.bankofireland.com/BOI-Group-Code-of-Conduct-2024.pdf)
- AIB Code: [PowerPoint Presentation \(aib.ie\)](https://www.aib.ie/PowerPoint-Presentation)

3)Training

There is a statutory obligation on firms to provide training to individuals in CF roles on the Common Conduct Standards and to individuals in PCF/CF1 roles on the Additional Conduct Standards to ensure that they have appropriate knowledge of them and how they apply to an individual performing that function. The financial services provider should provide appropriate induction training going forward to all newly appointed



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individuals in CF roles with regard to the Common Conduct Standards and to newly appointed individuals in PCF/CF1 roles with regard to the Additional Conduct Standards. The organisation should also provide appropriate training on an ongoing basis to ensure that individuals are clear on their obligations in respect of the Conduct Standards and specifically what is expected of them in the context of their role.

All three member banks provided mandatory training either as a 1-hour e-learning module or as an in-person training session.

Suggested areas for inclusion in mandatory Conduct Standards Training are:

- Introduction from CEO
- Linkage to Values and Behaviours in the Organisation
- Overview of each of the conduct standards with their sub-components, explaining each standard using language familiar to the financial services provider
- Examples of scenarios covering the common conduct standards, some scenarios based on real examples
- Bespoke training given to specific teams (e.g. Complaints)

4)Policies

There is a legal obligation in the Act for firms to “establish, maintain and give effect to policies on how the Common Conduct Standards are integrated into the culture and conduct of the affairs of the firm”.

There are a number of ways in which this can be achieved including; developing a Code of Conduct document, expanding an existing Code of Conduct Policy to cover Conduct Standards, or creation of a new IAF Policy/Conduct Standards Policy. Some suggested areas for inclusion in a Conduct Standards Policy document are as follows:

- Overview of the Conduct Standards and Additional Conduct Standards
- How Conduct Standards are overseen within existing Committees : Role and responsibilities of Board, NomCo, RemCo, EXCO, Conduct Committee,
- Management roles and responsibilities for Conduct Standards
- Role holder of PR3 accountability for the Conduct Standards
- Role and responsibilities of PCF’s
- Role and responsibilities of CF role holders and line managers of CF role holders
- Overview of core processes (breach management, reporting, training, certification, performance management)
- Functional Team responsibilities (Conduct Standards Team, HR Team, CoSec, Risk, Compliance, Internal Audit).
- List of other related policies in the organisation (Speak Up, Whistleblowing, Conflict of Interest)



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5) In-Scope Population Management

Under IAF, there are a number of regulatory obligations regarding management of the in-scope CF/PCF population. This may result in the creation of a new team within an existing function (e.g. HR), or additional resources in existing teams. Activities to be covered out by this team include:

- notifying all PCFs and CFs of the IAF Conduct Standards applicable to their specific CF role(s)
- notifying individuals moving into a new / or additional F&P roles of their obligations under the Conduct Standards
- on an annual basis, notifying all in-scope role holders of their obligations under the Conduct Standards
- maintenance of up-to-date records to evidence the completion of all formal Conduct Standard training by impacted PCF and CF colleagues
- tracking of breaches, including linkage to performance management processes, annual reviews, bonus payment, promotion etc
- maintain up to date records to evidence the issuance of all formal IAF Conduct Standard notifications to individual colleagues.

Depending on the size of the organisation, investment in IT systems (bespoke systems, off the shelf software packages) may be required to support the tracking, notification, monitoring and reporting requirements. To help organisations to maintain up to date records and tracking.

6) Reasonable Steps

The IAF prescribes a duty for in-scope role holders to take reasonable steps to meet the Conduct Standards. An individual who performs a CF role in relation to a firm is expected to take the steps that are reasonable in the circumstances to ensure that the Common Conduct Standards are met. Additionally, an individual who performs a PCF/CF1 role should take steps that are reasonable in the circumstances for the individual to take to ensure that the Additional Conduct Standards are met.

Provision of guidance on Reasonable Steps is an important step for organisations to support CF role holders in understanding their obligations under the IAF Act. This could include examples of actions that align with reasonable steps (completion of training, compliance with policies, awareness and compliance with relevant regulations, following up on issues, escalating concerns) and examples of negative behaviours (e.g. concealing information, destroying important documents, not raising issues, covering up mistakes).

The IBCB member banks have each developed materials to provide practical support in understanding the concept of reasonable steps, to aid CF role holders in understanding the steps that are reasonable for them to take to uphold the relevant Conduct Standards.



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7) Breach Management

A breach of a Conduct Standard is a “prescribed contravention”, with regulatory notification obligations that apply for suspected breaches. In the event of a breach or potential breach of the IAF Conduct Standards by an individual, a robust breach management process is needed to address and manage such occurrences effectively. This process should be designed to ensure timely and thorough assessment, investigation, and resolution of any breaches identified. Other aspects of the Breach Management Process could include:

- Definition of breaches and regulatory expectations
- Mechanism for reporting breaches of conduct standards
- Assessment of breaches (role of Conduct Standards Committee/F&P Committee)
- Reporting of breaches to Board/Executive committees and to the CBI
- Integration into disciplinary processes, performance management, promotion
- Incorporation into F&P processes and ongoing certification