

# Retail Intermediaries - Thematic Review of Compliance with the Minimum Competency Code and Consumer Protection Code



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On 29th May 2024, the Central Bank of Ireland issued a Dear CEO Letter to Retail Intermediaries, detailing its Thematic Review of Compliance with the Minimum Competency Code and Consumer Protection Code. The Letter requested that Intermediaries review their business practices and compliance arrangements against the findings, expectations and good practices set out in the Letter by 31st August 2024. This internal review needed to be documented and reviewed by the Intermediary’s management team by the August date, with details of actions taken and or planned to address findings, and reference to updated procedures, processes, controls, registers, templates, and training, as well as timelines for implementation required. This documented review and any associated action plan should be available to the Central Bank upon request. In relation to the Know your Customer (KYC) and Suitability elements of the Letter, where gaps were identified through internal reviews, Intermediaries are expected to apply their improved KYC/Suitability arrangements at the next engagement with customers, including updating KYC fact finds where applicable.

Below summarises some of the key findings and good practises identified by the Central Bank through its Thematic Review, which focused on the areas of Knowing the Customer and Suitability, Minimum Competency Code, Variable Remuneration, and Vulnerable Customers.

## Knowing the Customer (KYC) and Suitability

From a KYC perspective, the Central Bank’s Review found that some Intermediaries had poor KYC record keeping, outdated KYC information, a lack of updated KYC information, and a lack of signatures and dates on both KYC and Suitability documents.

The Review also found that some Statements of Suitability did not reflect current circumstances, and that some Intermediaries placed the onus on customers to contact the firm for reviews. On a positive note, some Intermediaries were seen to take an informative approach regarding complex products, with Statements of Suitability reflecting the complexities associated with the product. Firms encouraging customers to regularly review the ongoing suitability of their products, through both the Statement of Suitability and other documentation was highlighted as a good practise, with some of the Statements of Suitability reviewed also including detailed descriptions of both products and consumer profiles, as well as informing customers of the remuneration the firm would receive from the product producer over the lifetime of the product. Firms carrying out a detailed analysis of customers’ needs and objectives was also highlighted positively, as was having internal checklists to ensure all necessary steps are taken, accompanied by a second person sign off process.

## Minimum Competency Code (MCC)

Poor record keeping was again found to be a concern from an MCC perspective, with a lack of up-to-date reports available, as well as an inadequate understanding of Grandfathering requirements in some Intermediaries. The Central Bank’s Review also found that follow up with staff members to ensure completion of relevant annual requirements was lacking in some Intermediaries. From a good practise perspective, having a centralised folder for all MCC documentation for staff was acknowledged, as well as having a dedicated staff member responsible for ensuring staff are up to date on their registration and relevant annual requirements. The Letter emphasised that firm’s Accredited Person Registers



should be regularly reviewed, and as an essential, should be in the format prescribed in section 7 (1) (a-e) of the Minimum Competency Regulations.

### **Variable Remuneration**

One of the key adverse findings of the Central Bank's Review in relation to variable remuneration related to a lack of variable remuneration policies, and where policies were in place, some lacked clear objectives or didn't consider the quality of service given and compliance with relevant requirements. The good practises identified, which should be progressed through action plans if not already in place, included firms having robust controls and frameworks in place for payments of variable remuneration, and variable remuneration policies which clearly set out the remuneration process, including the metrics used to determine remuneration, and which were easily understandable by staff, placing a significantly high weighting on key quality objectives.

### **Vulnerable Customers**

Concerningly, from a vulnerable customer perspective, the Central Bank found that some firms

included in its Review required customers to 'opt in' to being treated as vulnerable. If this is the process currently being applied in your firm, a change in approach should be considered. From a good practise perspective, having a regularly reviewed vulnerable customer policy in place was recognised by the Central Bank, as well as having procedures setting out the role of the firm and staff when liaising with vulnerable customers.

### **Conclusion**

By now, implementation of action plans following Intermediaries own internal reviews should be well underway, with regular progress updates being provided to management for proper governance and oversight. The above serves as a reminder of the key findings and good practises identified by the Central Bank during its Review and should also serve as a reminder for in scope firms to ensure that action plans continue to be progressed. The good practises summarised above should be implemented where possible, taking into account the size, nature and scale of the intermediary and its operations.