



Newsletter 07/2010: 11 March, 2010

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## Regulatory News

### Matthew Elderfield sets out the future of financial regulation in Ireland

*"The costs of weaknesses in regulation are already very evident in Ireland"*

*"We need to move beyond the debate on rules versus principles-based regulation, where it's clear a judicious mix of the two is required, rather than swings between the extreme."*

*"I intend to implement a framework of assertive risk-based regulation underpinned by the credible threat of enforcement."*

*"Also, it is clear that there have been fundamental failings in corporate governance."*

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- Need to overhaul the regulatory model.
- Steps to strengthen the banking system and the economy.
- Continuing successful work in Consumer Protection.

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Acknowledging that regulatory weaknesses had contributed to the crisis, it was necessary to undertake a fundamental overhaul of the obvious weaknesses and keep pace with evolving international best practice.

While Governor Honohan was conducting a frank and honest assessment report on the performance of the regulator, Mr. Elderfield does not feel it necessary to await the conclusions before starting his reform work:

- Regulation would be assertive, risk-based and backed by the credible threat of enforcement.
- The biggest and riskiest firms were expected to manage themselves better and that firms and their management would held more accountable for their actions.
- A more rigorous analysis of the risks and inherent impact of different financial firms was needed.
- While the level of engagement will be improved across the board, a systemically important bank should expect a much more intrusive approach than a lower risk firm.

Risks should not only be identified but also managed effectively. High impact firms and those with a poor track record should not expect to receive the benefit of the doubt:

*"...if we remain unconvinced by management's plans we will be prepared to substitute our prudential judgement for their commercial one and say: Just do it."*

To ensure enforcement is a credible threat, there is a dedicated division to deal with enforcement matters, with special investigative units established for the first time and led at a senior level. Staffing levels will be reviewed later this year.

Ireland is competing as a premier financial services centre and the regulator needs the resources to do its job:

- There will need to be a substantial increase in resources at the regulator.
- New legislation informed by an assessment of the gaps in current powers will be needed.

- The Government and Board are strongly committed to both.

The immediate priority over the coming weeks is to complete the work necessary to re-capitalise the banking sector. The re-capitalisation exercise will help:

- Draw a line under the banking crisis.
- Get credit flowing again.
- Improve Ireland's international standing in the financial markets.

In the medium term, a robust recapitalisation exercise will ensure that Ireland's banks can better cope with the forthcoming step change in banking capital and liquidity standards already underway at Basel committee and EU level.

It is important to recognise that aspects of the banking crisis in Ireland were home grown. The future strategy for banking regulation will develop tougher standards for concentrated exposures to prevent future excesses.

A package of proposals covering corporate governance standards will be brought out:

- Tougher fitness and probity requirements.
- Guidelines on remuneration.
- Guidelines on risk taking.

Many of these will extend beyond the banking sector to other categories of financial services firms but will be developed, in line with the risk-based approach, in a proportionate manner.

Consumer protection is seen as an area of success. Mr. Elderfield does not feel that weaknesses in prudential regulation were caused by too much consumer regulation and went out of his way to pay tribute to the work done by Mary O'Dea, the former Consumer Director.

*"While regulatory weaknesses did indeed contribute to the crisis, the Financial Regulator has also done a good job in many areas and has many dedicated and hard-working professionals fighting in the front line of the crisis to strengthen the financial system and protect Irish consumers."*

A busy agenda was outlined here also:

- Review of the Consumer Protection Code.
- Review of the Minimum Competency Requirements.
- Continuation of thematic reviews – especially for compliance with mortgage arrears code of conduct.

Mention was made of overcharging issues (perhaps spurred by recent issues at AIB and MBNA):

- Backlogs should be cleared quicker.
- Firms will be set deadlines for communicating with customers and providing compensation.
- Enforcement will follow if deadlines are not met.
- Firms are encouraged to accelerate work in this area now before they are contacted by the regulator.

*"I believe that the fundamentals of what make Ireland a successful financial services centre remain in place."*

- A new three-year strategic plan will be published later in 2010.
- Important new regulatory developments such as Solvency II, UCITS IV and the Alternative Investment Fund Management Directives are coming.
- Advocacy and policy capability to be strengthened to enable Ireland to influence European debates and 'punch above its weight'.

The aim of all these changes was clear: *"The strategy I have outlined today will in my view add to the attractions of Ireland as a financial centre by establishing a reputation for strong regulation based on a rigorous assessment of risk."*

This represents a clear and unambiguous statement of intent by the Financial Regulator. The approach of fixing what is broken and fixing it properly is to be welcomed. It is clear that the Financial Regulator's eye is on rebuilding the intangibles of public confidence and international reputation.

## Training Dates

### March 2010 Training Dates

**Compliance Ireland** has updated its remaining dates for training courses in March 2010. Our courses will be held in central Dublin locations and are eligible for CPD hours (dependent on course attended and your professional qualification).

Click through below for the March listing or check our website <http://www.complianceireland.com/publictraining.html> regularly for updates.

**Dates for training in Quarter 2 will be released shortly!**

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**Dates for training in Quarter 2 will be released shortly!**

Dates for March training courses are as follows:

Date	Time	Course
16 March	9:00am – 1:00pm	<a href="#">MiFID - Understanding MiFID and its operational implications</a>
18 March	9:00am – 1:00pm	<a href="#">Risk-Based Compliance Monitoring for Financial Institutions</a>
23 March	9:00am – 5:30pm	<a href="#">The Role of the Compliance Officer - for Insurance Firms</a>
25 March	9:00am – 5:30pm	<a href="#">Anti-Money Laundering/Counter-Financing of Terrorism: Financial Institutions under the new AML Law</a>

Half-Day courses cost €380 per attendee (No VAT).

Full-Day courses cost €620 per attendee (No VAT). €550 for second attendee from same firm attending same day.

**To make a booking either:**

1. **book and pay online at** <http://www.complianceireland.com/publictraining.html> or
2. **send an email to** [bookings@complianceireland.com](mailto:bookings@complianceireland.com) **including your name, company, address and contact number.**

General enquires please use [trainadmin@complianceireland.com](mailto:trainadmin@complianceireland.com).

Full details of all our courses are available in our PDF Brochure - [http://www.complianceireland.com/documents/Q1\\_2010\\_Training\\_Programme\\_Rol\\_web.pdf](http://www.complianceireland.com/documents/Q1_2010_Training_Programme_Rol_web.pdf)

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