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Bankers could face €1m fines under new rules

27 March 2011 By Jon Ihle Markets Correspondent

Bankers who fail to cooperate fully with the Central Bank's new "fitness and probity" review could face criminal prosecution and fines of up to €1 million, according to a regulatory consultation paper published last week.

The document, which sets out tough new standards bankers must meet to hold senior positions in financial institutions under the government guarantee, warns that bank executives and directors will be committing criminal offences if they impede the Financial Regulator's access to "accurate, relevant information".

Non-compliant individuals or institutions will also be vulnerable to enforcement action under the administrative sanctions regime, the document states.

Administrative sanctions currently carry maximum penalties of up to €500,000 per individual and €5 million per institution.

The Central Bank has requested permission to increase its maximum fines to €1 million per person and €10 million per institution. The new fines will take effect under new legislation expected later in the year.

New statutory powers set out in last year's Central Bank Reform Act allow regulatory officials to compel senior bankers to appear before Financial Regulator Matthew Elderfield, to give evidence, to answer questions and refrain from giving false or misleading statements.

Violations of these terms will count as criminal offences. "This one is a real game changer," said Kevin O'Doherty, director of consultancy Compliance Ireland.

"This isn't an exercise in vengeance, it's an exercise in raising the bar for all institutions. It sets out very clearly the way the regulator sees the world."

The fit and proper standards go into effect on September 1 after a consultation period which ends May 20.

The guidelines require directors and so-called senior controlling officers at banks and other financial institutions to demonstrate a firm grasp of the risks and regulations that apply to their firms.

The rules put the onus on boards to sign off on the competence of senior staff, while the regulator has the authority to vet candidates for top roles.

Elderfield last week said that the Central Bank would be reviewing the track records of bank directors and executives who were in charge when their institutions had to seek government assistance.

He said the review would last until January 1, 2012 to give those affected an "opportunity to make their plans accordingly".

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