

**ADVISORY**  
Industry Information

## CP86 - Central Bank of Ireland to focus on organisational effectiveness with emphasis on firms' resources and organisational structures

July 2018

1 July 2018 marked the conclusion of all transitional arrangements available to firms for compliance with the Central Bank's requirements for the organisation of Irish authorised fund management companies as set out in the Central Bank UCITS Regulations and the Central Bank's AIF Rulebook.

The requirements include the Central Bank's effective supervision requirement known as the location rule. This requirement stipulates the minimum number of directors of a management company which must be resident in Ireland and the EEA as well as the minimum number of managerial functions which must be performed in the EEA, depending on the Central Bank's PRISM impact rating of the management company. With effect from 1 July, all existing Irish fund management companies are required to comply with the location rule and any new fund management companies will only be authorised if they are organised in line with the requirement.

The requirements are supported by regulatory guidance, the Central Bank's Fund Management Companies – Guidance. This guidance was published by the Central Bank in December 2016 following completion of an extensive period of consultation (CP86) with industry between September 2014 and August 2016 and is applicable to Irish authorised UCITS management companies, AIFMs and self-managed UCITS and AIFs. The fulsome guidance is comprised of six parts and details the Central Bank's expectations in relation to the governance of Irish management companies, how they should comply with their regulatory obligations and its ability to supervise management companies without undue constraint and in times of crisis.

The Central Bank announced on 5 July 2018 its intention to begin assessing how management companies "have implemented and embedded the new requirements and related guidance in their organisations". The Central Bank noted that it intends to place "specific emphasis" on "assessing the appropriateness of the Fund Management Company's resources and organisational structure." The Central Bank's focus will be "on the assessment work performed by the Organisational Effectiveness role holder and, in particular, how the board of the Fund Management Company have implemented any proposals to improve organisational effectiveness." In line with its supervisory model for funds and management companies, this assessment is likely to take the form of a themed inspection of firms' compliance with the organisational effectiveness requirements and the work performed by the Organisational Effectiveness role holder.

If you wish to discuss the above in more detail please do not hesitate to get in touch with your usual contacts in the investment funds team at Walkers' Ireland office.

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