

**MEMO# 30037**

July 14, 2016

# **Central Bank of Ireland Consultation on Fund Management Company Effectiveness (CP86); Member Call on July 28**

[30037]

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TO: ICI GLOBAL REGULATED FUNDS COMMITTEE No. 45-16  
INTERNATIONAL COMMITTEE No. 34-16 RE: CENTRAL BANK OF IRELAND CONSULTATION ON FUND MANAGEMENT COMPANY EFFECTIVENESS (CP86); MEMBER CALL ON JULY 28

The Central Bank of Ireland (“CBI”) has issued its third consultation on fund management company effectiveness, which focuses on managerial functions, operational issues and procedural matters. [\[1\]](#) The substance of the consultation applies to CBI-authorized “fund management companies,” which includes UCITS management companies, AIFMs, self-managed UCITS investment companies, and internally-managed AIFs. This paper is the final phase of a consultation process that began in September 2014; it describes the work already undertaken by the CBI on the governance of fund management companies and outlines the proposed approach to compliance and supervisability issues – which notably includes a proposed rule on location of directors and designated persons.

Under the proposed rule, a fund management company with an impact rating of medium low or above will be required to have:

1. at least three Irish resident directors or at least two Irish resident directors and one designated person based in Ireland; and
2. at least two thirds of its directors in the European Economic Area (“EEA”); and
3. at least two thirds of designated persons in the EEA.

A fund management company with an impact rating of low will similarly be required to have:

1. at least two Irish resident directors; and
2. at least two thirds of its directors in the EEA; and
3. at least two thirds of designated persons in the EEA.

The proposal’s requirements raise concerns for global fund managers with Irish funds,

particularly those that do not have a significant presence in the EU. The CBI currently requires that two Irish resident directors be on the board of each fund management company. Although it had considered reducing this requirement, concern about “the capacity to carry out the Central Bank’s engagement model without undue constraint and the ability to react in a crisis” have led to the CBI’s proposed requirement.

The proposal does introduce additional flexibility in allowing designated persons to be based outside of Ireland. A fund management company will, however, be required to satisfy the CBI of the appropriateness of any arrangements involving designated persons in different locations and demonstrate that the designated persons can effectively coordinate their roles.

Comments on CP86 are due by August 25, 2016. We intend to submit a comment letter, and will hold a member call on Thursday, July 28 at 11 a.m. US Eastern / 4 p.m. Dublin and London time to discuss this matter. The dial-in details are as follows:

USA Toll Free: 888-982-7417

International Toll: + 1-312-470-7288

Participant passcode: 27450

Please RSVP to Ruth Tadesse at [rtadesse@ici.org](mailto:rtadesse@ici.org) if you intend to participate.

Eva M. Mykolenko

Associate Chief Counsel - Securities Regulation

#### **endnotes**

[1] The Consultation is available at

[https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=3&cad=rja&uact=8&ved=0ahUKEwitzdWZ5fDNAhWIHh4KHQPuABEQFggpMAI&url=https%3A%2F%2Fwww.centralbank.ie%2Fregulation%2Fmarketsupdate%2FDocuments%2F160602\\_CONSULTATION%2F520PAPER%2F520-CP86\\_THIRD%2F520CONSUL\\_FINAL%2F520VERSION.pdf&usg=AFQjCNEQVfAEaZKbs7iKrk7JxwplITVaxw&sig2=9w0EvvaPYyEtaJQCf7vGkg&bvm=bv.126993452,d.dmo](https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=3&cad=rja&uact=8&ved=0ahUKEwitzdWZ5fDNAhWIHh4KHQPuABEQFggpMAI&url=https%3A%2F%2Fwww.centralbank.ie%2Fregulation%2Fmarketsupdate%2FDocuments%2F160602_CONSULTATION%2F520PAPER%2F520-CP86_THIRD%2F520CONSUL_FINAL%2F520VERSION.pdf&usg=AFQjCNEQVfAEaZKbs7iKrk7JxwplITVaxw&sig2=9w0EvvaPYyEtaJQCf7vGkg&bvm=bv.126993452,d.dmo).