

MEMO# 30167

August 25, 2016

ICI Global and IDC Letter on CBI Consultation on Fund Management Company Effectiveness (CP86)

[30167]

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TO: ICI GLOBAL REGULATED FUNDS COMMITTEE No. 55-16
INTERNATIONAL COMMITTEE No. 43-16
INTERNATIONAL OPERATIONS ADVISORY COMMITTEE No. 21-16 RE: ICI GLOBAL AND IDC
LETTER ON CBI CONSULTATION ON FUND MANAGEMENT COMPANY EFFECTIVENESS (CP86)

On August 25 ICI Global and IDC filed a joint comment letter responding to the Central Bank of Ireland's ("CBI") third consultation on fund management company effectiveness.

The consultation includes a proposed rule on the location of directors and designated persons of Irish fund management companies whereby, among other requirements, 2/3 of directors and designated persons would need to be resident in Ireland or the European Economic Area ("EEA"). Our letter argues strongly against this proposal.

We state in our response that requiring that 2/3 of directors and designated persons be resident in the EEA (hereafter referred to as the "ratio requirement") is neither an effective way to achieve the CBI's intended goals, nor in the best interest of investors. Specifically, we explain that the proposed ratio requirement:

- is contrary to the continued growth of a global product and industry;
- ignores technological advances and legitimate, better means of accomplishing supervision;
- could be harmful to investors by constraining the selection of the best personnel;
- is a protectionist measure that is inconsistent with efforts to reduce barriers to cross-border trade in services; and
- is untimely, given the uncertainty surrounding the Brexit vote and the upcoming review of the Alternative Investment Fund Manager Directive ("AIFMD").

We urge the CBI to not adopt the ratio requirement as proposed, and further recommend that the CBI not impose (formally or informally) any residency restrictions on designated persons, provided that they otherwise meet the CBI's approval standards. We further state that, to ensure that the CBI has adequate access to personnel, the CBI could require the

fund management company, or directors and designated persons individually, to provide an undertaking to such effect.

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