

Central Bank Priorities for 2020

In a **speech** delivered on 15 January 2020, Derville Rowland, Director General, Financial Conduct at the Central Bank of Ireland (“**Central Bank**”) outlined the Central Bank’s financial conduct supervisory priorities for 2020. The priorities identified in the speech cover multiple sectors of the financial services industry; for the purposes of this update we have focused on those impacting asset management and investment funds below.

Protecting Investors and Market Integrity

Ms Rowland refers in her speech to Ireland’s growing prominence in investment funds and the global role which Ireland plays, noting that this makes the effective supervision of investment funds of critical importance to the Central Bank. It is a key priority of the Central Bank to work with its colleagues in the European Securities and Markets Authority (“**ESMA**”) to drive EU supervisory convergence and to raise supervisory standards.

The Central Bank will focus on a number of topics of specific relevance to investment funds:

- enhancing how the Central Bank discharges its role as a gatekeeper to be ever-more risk-based, devoting more scrutiny to those applications of particular concern;
- concluding its review of how the sector is implementing the Central Bank’s rules and guidance related to fund management company effectiveness;
- working with fellow regulators and colleagues in ESMA to complete a common supervisory action on liquidity management in UCITS;
- commencing a review of UCITS’ use of securities lending;
- a “deep dive” on property funds to assess the resilience of this growing form of market-based finance. This assessment is referred to in the context of the suspension of the Woodford funds in 2019, which Ms Rowland states raised questions as to whether existing rules in respect of liquidity risk are sufficient.

In a **speech** delivered in December 2019, Michael Hodson, Director of Asset Management and Investment Banking at the Central Bank, gave some additional insight on the Central Bank’s 2020 priorities, referring to:

- further consultation work on errors in investment funds;
- the engagement meetings and full risk assessments that supervised entities have come to expect in line with the Central Bank’s risk-based approach to supervision.

Anti-Money Laundering

A particular area of focus for the Central Bank in 2020 will be transaction monitoring and risk assessments. The Central Bank will focus on the IT systems utilised for transaction monitoring by higher risk firms operating across different sectors.

Fitness and Probity / Individual Accountability

Ms Rowland reminds firms that the onus is on them to conduct their own due diligence on individuals when making “fit and proper” assessments, and states that the Central Bank is focused on ensuring that firms discharge this responsibility to the full. She emphasises the Central Bank’s expectation that every person employed in the financial services sector provides full and truthful information to the Central Bank. The Central Bank will continue to focus on the proposed Senior Executive Accountability Regime (“**SEAR**”) which is expected to be introduced through the enactment of relevant legislation this year.

Sustainable Finance

The speech notes the threat to financial stability posed by climate change. The Central Bank and industry must ensure that sustainable financial products are defined in an accurate and transparent manner and that investors can trust what they are receiving. Ms Rowland notes the political agreement on the EU Taxonomy Regulation, which will introduce a framework that sets out the criteria to be considered for a product or activity to be considered environmentally sustainable and the publication of the **EU Sustainability Disclosures Regulation**. She observes that the next few years will see significant regulatory changes in this field and asks industry to start to consider the impact of these changes.