



November 2018

Calling all management companies...

In a recent [speech](#), the Central Bank has confirmed that it will be carrying out an assessment on how fund management companies have implemented CP86 in 2019.

Forewarned is forearmed....

Background

Over 2 and a half years in the making, the Central Bank's framework for management companies and self-managed investment companies, commonly referred to as CP86, took full effect on 1 July last. Intending to address the areas of governance, compliance and supervisability, CP 86 introduces new rules for management companies and self-managed investment firms (together "firms") in the form of a new organisational effectiveness role to be discharged by an independent board member, a new "location role" applicable to board members and designated persons and the streamlining of managerial functions to be discharged by designated persons. It also provides guidance on delegate oversight, organisational effectiveness and directors' time commitments.

Assessment of implementation of CP86

In a speech delivered last month, the Central Bank confirmed its intention to assess firms' implementation of CP86 in 2019.

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1 It has reiterated the need for the director responsible for organizational effectiveness to satisfy him or herself that all obligations of the company are being met by the designated persons on a day to day basis and that it expects firms to have made all necessary changes to ensure that they comply with the new requirements and guidance, including to the time committed to the carrying out of the designated persons roles.

What is interesting to note is that the Central Bank has stated that in conducting its reviews, it will use the experience and insight it has gained from assessing the recent influx of applications from firms seeking to relocate to Ireland post-Brexit, particularly in the context of the amount of time required of designated persons in order to carry out the tasks assigned to them.

It has advised existing firms to take into consideration what is required of new entrants when determining the adequacy of their resources. This would suggest that it will expect the time commitments of designated persons in existing firms to align with those being expected of new entrants of a similar size and complexity.

As a result, not only can firms expect the Central Bank to review their delegate oversight framework, record retrievability and compliance with the “location rule”, but they can also expect it to examine the time commitments of designated persons.

In preparing for a CP86 review by the Central Bank, those individuals responsible for discharging the organizational effectiveness role should ensure that they review the time commitments of each designated person, bearing in mind what is being required of new entrants. More generally, firms should ensure that they are in a position to demonstrate their compliance with CP86 as a whole.

If we can assist you in any way, please get in touch with your usual contact on the Asset Management Team.

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¹ The Central Bank had first indicated its intention to focus on the work done by the organisational effectiveness role in its notice to Man Co in July accessible from <https://www.centralbank.ie/docs/default-source/regulation/industry-market-sectors/funds/aifs/guidance/fund-management-companies-guidance-5-july.pdf?sfvrsn=4>