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Central Bank of Ireland

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Central Bank of Ireland's expectations of investment firms when engaging in unregulated activities

Dear CEO,

The Central Bank of Ireland (the "Central Bank") is aware that some investment firms ("Firms") are offering products and services considered to be outside of the scope of regulation. Where Firms engage in both regulated and unregulated activities, there is a significant risk that clients may misunderstand the protections they are afforded when investing in unregulated products. As a consequence, Firms must ensure they are acting fairly, professionally and in accordance with the best interests of their clients at all times.

Firms should take all necessary measures to ensure that clients are fully aware of the regulatory status of the product/service they are receiving. Firms should clearly disclose to clients when regulatory protections do not apply to the product or service provided. At a minimum, the Central Bank expects Firms to adhere to the following:

- When providing unregulated products or services, the regulatory status must be clearly and effectively communicated in all dealings with clients, and at every stage of the sales process.
- In order to provide information to clients that is fair, clear and not misleading, Firms should include appropriate disclosures and risk warnings in a prominent position on all information provided to clients. 'Information' includes but is not limited to brochures, information memoranda, webpages and other marketing materials. Information should:
 - Be clear about the regulatory status of the product; terminology used must not imply that the product or service is regulated where this is not the case.



- Explicitly state what investor protections are lost/not applicable when investing in a product deemed to be out of scope of regulation, including: compensation schemes, client assets protections, and recourse to ombudsman (as applicable).
- The Firm's regulatory status must not be used as a promotional tool. When engaging in unregulated activities, information provided to the client or potential client, including marketing materials and other documentation, should not include reference to the Firm being authorised/regulated by the Central Bank of Ireland. Firms may only use the regulatory disclosure statement in communications with a consumer where such communications relate solely to a regulated activity.
- Any information on the Firm's website related to unregulated activities should be clearly distinguished from regulated activities. Firms must have separate sections on any website it operates, for regulated activities and any other activities which it carries out.

The Central Bank expects your Firm to consider the above points and where applicable, take necessary measures to ensure its processes and controls enable it to adhere to the above. Your Firm should amend its templates, documentation, and website as required. The Central Bank expects that this letter will be brought to the attention of the appropriate persons and discussed at the Firm's next board meeting.

Please note, the Central Bank will have regard to the contents of this communication as part of future supervisory engagement. If the Firm has any queries on this letter, please contact mifidconductofbusiness@centralbank.ie.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Simon Sloan', written in a cursive style.

Simon Sloan
Head of Division
Consumer Protection – MRI
Central Bank of Ireland