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Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

SUPERVISORY REVIEW AND EVALUATION PROCESS (SREP)([1])

010	Date of the last update of information in this template		(10/06/2023)
020	**Scope of application of SREP** (Article 36 of IFD)	Description of the competent authority's approach to the scope of application of SREP including:	Risk Assessments of the activities of Investment Firms are conducted under the Central Bank of Ireland's supervisory risk framework. These risk assessments vary in terms of the frequency, depth and intensity depending on the size and complexity of the Investment Firm. This process enables Supervisors to form a view on the business model, risk profile and viability / sustainability of an Investment Firm. Investment Firms in Ireland vary significantly in terms of their size, risk profile and scope of activities, ranging from very small non-complex firms to large / complex international firms.
		·what types of investment firms are covered by/excluded from SREP.	Class 2 and Class 3 Investment Firms are subject to SREP under IFD. While Class 2 Investment Firms will be subject to planned and periodic SREP assessment, Class 3 firms will be subject to a SREP on a case-by case-basis and where Supervisors deem it necessary based on nature, scale and complexity (with the requisite risk assessments being event based and the scope and depth of the review tailored to the risk profile of the Investment Firm). The IFD SREP process and periodicity is consistent with the Central Bank's existing supervisory framework and timelines.
		·a high-level overview of how the competent authority takes into account the principle of proportionality when considering the scope of SREP and frequency of assessment of various SREP elements[2].	With regard to the principle of proportionality for Investment Firms, the Central Bank of Ireland utilises our in-house Probability Risk Impact System, "PRISM" to assist in how this is applied on a consistent basis across all Investment Firms. PRISM is a system that assists the Central Bank of Ireland with risk-based supervision and in ensuring that the appropriate supervisory oversight is in place for each Investment Firm. This supervisory tool differentiates Investment Firms based on their risk profile and their potential impact on the domestic financial system. The Central Bank also considers proportionality in the context of an individual firm's activities and its business model (e.g. liquidity risk may be more relevant in certain firm types). In addition, the Central Bank of Ireland will consider on at least an annual basis the categorisation adjustment process for Investment Firms contained in the SREP Guidelines (applying both qualitative and quantitative rationales).
030	**Assessment of SREP elements** (Articles 36 of IFD)	Description of the competent authority's approach to the assessment of individual SREP elements-including:	The Central Bank's supervisory risk framework is structured to facilitate judgement based, outcome focussed supervision. The specific risks in Investment Firms are assessed in order to consider the overall risk management and governance arrangements in place, the risks to capital and liquidity to which the firm is or may be exposed, the business model of the Investment Firm, as well as the assessment of the potential systemic risk posed by the Investment Firm.
		·a high-level overview of the assessment process and methodologies applied to the assessment of SREP elements, including: (i) business model analysis; (ii) assessment of internal governance and investment firm-wide controls; (iii) assessment of risks to capital; and (iv) assessment of risks to liquidity;	Supervisors utilise a structured engagement model for the assessment of individual risks and this requires Supervisors to challenge an Investment Firm and to form judgements about specific risks. The risks to which Investment Firms are exposed are also assessed by reviewing risk levels and risk controls. These processes facilitate Supervisors making decisions about each type of risk relevant to an Investment Firm's operations and are based on a review of both qualitative and quantitative information. The probability of the risk occurring is assessed for each risk and reflects the Supervisor's overall assessment of the specific risk for the Investment Firm, with all such assessments being subject to internal quality control mechanisms within the Central Bank of Ireland to ensure consistency of approach across all Investment Firms. The outcome of the risk assessment process can result in various supervisory actions and measures including Risk Mitigation Programmes ("RMP") which require an Investment Firm to take appropriate steps to mitigate the risks identified.
		·a high-level overview of how the competent authority takes into account the principle of proportionality when assessing individual SREP elements [3].	With regard to principle of proportionality for Investment Firms, the Central Bank of Ireland utilises PRISM (a risk-based supervisory system). This supervisory tool differentiates Investment Firms based on their risk profile and their potential impact on the domestic financial system. In addition, Key Risk Indicators act as useful information to assist Supervisors when assessing specific risks and provide notice that the profile of individual risks within an Investment firm has changed. The Central Bank of Ireland will also take the nature and complexity of the Investment Firm into account as part of the assessment.

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040	**Review and evaluation of ICAAP and ILAAP** (Articles 24 and 36 of IFD)	Description of the competent authority's approach to the review and evaluation of the additional own funds and specific liquidity requirements as part of the SREP, and, in particular, for assessing the reliability of additional own funds and liquidity calculations for the purposes of determining additional own funds and liquidity requirements including[(4)]: ·an overview of the methodology applied by the competent authority to review the internal capital adequacy assessment process (ICAAP) and the internal liquidity adequacy assessment process (ILAAP) of investment firms; ·information/reference to the competent authority requirements for submission of ICAAP and ILAAP-related information, in particular covering what information needs to be submitted; ·information on whether an independent review of the ICAAP and the ILAAP is required from the investment firms.	The Central Bank of Ireland's review of the ICAAP is influential in the assessment of capital adequacy and the quantification of Pillar II Capital Requirements and Pillar II Capital Guidance imposed on Investment Firms, where relevant. The Central Bank of Ireland's review of the ILAAP facilitates an assessment of the overall liquidity position of an Investment Firm to ensure it has adequate levels of liquidity resources / a prudent funding profile, and that it comprehensively manages and controls liquidity and funding risks. In determining the reliability of ICAAP capital calculations, an assessment is performed of the following: • The extent to which the institution's board and senior management have taken responsibility for the ICAAP; • The extent to which the design of the ICAAP has been fully specified and documented; • The extent to which the ICAAP forms an integral part of the institution's management processes; • The extent to which the ICAAP is risk-based and covers all material risks to which the institution is or might be exposed; • The extent to which the ICAAP is regularly reviewed; • The extent to which the ICAAP is forward looking and integrated with the institution's strategic plans; and • The reasonableness and adequacy of measurement and assessment processes. In carrying out a review of the ILAAP, and in addition to similar aspects outlined regarding the ICAAP assessment, Supervisors will also undertake the following where relevant: • Review the arrangements, strategies and processes implemented to ensure all required liquidity standards are maintained; • Evaluate the liquidity and funding risk to which an Investment Firm is or might be exposed; • Assess the risks that the Investment Firm poses to the financial system; • Evaluate the further liquidity and funding risks revealed by stress testing; and • Evaluate whether the level and composition of the Investment Firm's liquidity resources are adequate to meet the liquidity needs over different time horizons. An annual ICAAP questionnaire is submitted by Investment Firms and reviewed by supervisors based on the principle of proportionality. An independent review of the ICAAP or ILAAP is not required from Investment Firms.
050	**Overall SREP assessment and supervisory measures** (Articles 38 and 39 of IFD)	Description of the competent authority's approach to the overall SREP assessment (summary) and application of supervisory measures on the basis of the overall SREP assessment[(5)]. Description of how SREP outcomes are linked to the application of early intervention measures according to Article 27 of Directive 2014/59/EU and determination of conditions whether the investment firm can be considered failing or likely to fail according to Article 32 of that Directive[(6)].	The Central Bank of Ireland makes an overall assessment of the capital and liquidity adequacy of Investment Firms based on the information reviewed and evaluated during the SREP. The Central Bank of Ireland strives to take adequate SREP decisions using a wide range of information coming from several building blocks. These include the investment firms' regular reports, ICAAP and ILAAP, engagement with senior management within the Investment Firm, the Investment Firms' risk appetite, supervisory quantifications used to verify and challenge the Investment Firms' estimates, risk assessment outcomes (including risk level and risk control assessments), the outcome of stress tests, and the Supervisor's overall risk priorities. The Central Bank of Ireland may consider supervisory measures to rectify or mitigate against deficiencies in controls and/or risk management as part of the SREP. Measures available include: • requiring Investment Firms to hold additional capital; • requiring improvements in internal controls and risk frameworks; • requiring the Investment Firm to apply a specific provisioning policy or treatment of assets in terms of own funds requirements; • restricting or limiting the business operations; and • requiring Investment Firms to reduce the inherent risk in their activities. The outcome of the SREP analysis and any supervisory measures imposed are communicated to the Investment Firm in writing and the Investment Firm is given an opportunity to respond. Supervisory measures are both quantitative, imposing additional capital and liquidity requirements, and qualitative whereby a RMP is imposed on an Investment Firm. A RMP identifies the risk to the Investment Firm and imposes an action on the Investment Firm, which should ensure that the risk is mitigated and that a specified outcome is achieved. Contravention of a Central Bank of Ireland regulatory requirement may be the subject of an administrative sanction under Part III C of the Central Bank Act 1942. Please see a link to our Enforcement Process here. As part of the SREP assessment, Supervisors will make a determination on the financial, capital and liquidity position of the Investment Firm. An analysis is completed of the Investment Firms' own key risk indicators. A determination is made as to whether the Investment Firm is likely to breach its capital requirements. If there is any indication of a deteriorating financial position, the Central Bank of Ireland may impose supervisory measures (including early intervention measures if applicable) on the Investment Firm. If, on these bases, an 'F' SREP score is assigned to an institution (i.e. that one or more of the BRRD FOLTF conditions are met), then the Supervisor would engage with the relevant resolution authority in accordance with the applicable procedures, where applicable.

(1) Competent authorities are to disclose the criteria and methodologies used in rows 020 to 040 and in row 050 for the overall assessment, in the form of an explanatory note as per the second column.

(2) The scope of SREP to be considered both at a level of an investment firm and in respect of its own resources. A competent authority shall explain the approach used to classify investment firm into different categories for SREP purposes, describing the use of quantitative and qualitative criteria, and how financial stability or other overall supervisory objectives are affected by such categorisation. A competent authority shall also explain how categorisation is put in practice for the purposes of ensuring at least a minimum engagement in SREP assessments, including the description of the frequencies for the assessment of all SREP elements for different categories of investment firms.

(3) Including working tools e.g. on-site inspections and off-site examinations, qualitative and quantitative criteria, statistical data used in the assessments. Hyperlinks to any guidance on the website to be added.

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(4) Competent authorities shall also explain how the assessment of the internal capital adequacy assessment process (ICAAP) and the internal liquidity assessment process (ILAAP) is covered by the minimum engagement models applied for proportionality purposes based on SREP categories as well as how proportionality is applied for the purposes of specifying supervisory expectations to ICAAP and ILAAP, and in particular, any guidelines or minimum requirements for the ICAAP and ILAAP the competent authorities have issued.

(5) The approach competent authorities apply to arrive at the overall SREP assessment and its communication to the investment firms. The overall assessment by competent authorities is based on a review of all the elements referred to in row 020 to 040, along with any other relevant information about the investment firm that the competent authority may obtain.

(6) Competent authorities may also disclose the policies that guide their decisions for taking supervisory measures (within the meaning of Article 18 of the IFD) and early intervention measures (within the meaning of Article 27 of the Bank Recovery and Resolution Directive (BRRD)) whenever their assessment of an investment firm identifies weaknesses or inadequacies that call for supervisory intervention. Such disclosures might include the publication of internal guidelines or other documents describing general supervisory practices. However, no disclosure is required regarding decisions on individual investment firms, to respect the confidentiality principle.
Furthermore, competent authorities may provide information regarding the implications if an investment firm violates relevant legal provisions or does not comply with the supervisory or early intervention measures imposed based on the SREP outcomes, e.g. it shall list enforcement procedures that are in place (where applicable).