



Mr Declan Casey
Irish Funds
10th Floor
One Georges Quay Plaza
Dublin 2

19 January 2018

Re: Submission of Risk Management Process Document by UCITS Investment Funds

Dear Declan,

Regulation 69 of the European Communities (UCITS) Regulations (the ‘UCITS Regulations’) requires a management company or an investment company to employ a risk-management process which enables it to monitor and measure at any time the risk of the UCITS’ positions and their contribution to the overall risk profile of the portfolio of assets of the UCITS. Schedule 9 of the UCITS Regulations states that a management company shall ensure that the method selected to measure global exposure is appropriate, taking into account the investment strategy pursued by the UCITS and the types and complexities of the financial derivative instruments used, and the proportion of the UCITS portfolio which comprises financial derivative instruments.

In December 2015, the Central Bank of Ireland (the ‘Central Bank’) completed a thematic review of how effectively UCITS investment funds implement their financial derivative instruments risk management processes (‘RMPs’). This review also considered the Central Bank’s procedures for reviewing RMPs and the overall benefit of such an approach. This letter sets out a change to the Central Bank’s approach to the submission of RMPs by UCITS.

With immediate effect, draft RMPs are no longer required by the Central Bank. Instead, a UCITS must complete the RMP application form to verify that all of the legislative and regulatory requirements relevant to the RMP are in place. This form, together with the final, signed, RMP must be submitted by 12 noon on the proposed day of authorisation of the UCITS (or day of approval in the case of a sub-fund of an umbrella UCITS). The new filing process also applies to UCITS which are currently in the application process.

Failure to submit the RMP and completed RMP application form will result in the delay of authorisation of the UCITS or approval of a sub-fund.

While RMPs will no longer be reviewed by the Central Bank in advance of the /authorisation of a UCITS or approval of a sub-fund, ad hoc reviews of individual RMPs will be carried out periodically to assess quality and compliance standards. In addition,



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the risk management process may be subject to on-site inspection and this matter will be subject to further thematic reviews

I would appreciate if you would bring this letter to the attention of your members.

Yours sincerely

A handwritten signature in blue ink that reads "Gráinne McEvoy".

Gráinne McEvoy
Head of Securities & Markets Authorisation Division