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24<sup>th</sup> February 2011

Dear Helen,

The Irish Funds Industry Association (IFIA) welcome the publication of Consultation Paper 49 (CP 49), “Consultation on Impact Metrics for Risk Based Supervision of Financial Firms by the Central Bank and on Impact Based Levies” and the opportunity to introduce a new and appropriate Risk Based Supervision regime. Furthermore, we welcome the opportunity we had to discuss what is proposed in CP 49 with the Central Bank of Ireland (CBI) in advance of the deadline for responses and we welcome the confirmation that levies and supervisory resources based on the outcome of this process are not expected to change in any material or significant way from their current allocation.

At this point the industry have decided not to respond in full to each specific question in CP 49 but we have addressed some of the main industry issues and concerns outlined in more detail below and provided suggested Impact Metrics that are appropriate for Collective Investment Schemes (CIS) and for Administrators and Trustees.

General comments:

1. There is a general concern regarding the treatment of (CIS) in this process, whereby to date CIS (umbrella, & sub funds) have had a flat levy calculated per fund / sub fund structure, subject to a maximum, without reference to the level of Net Assets. i.e. two CIS with identical fund structures have paid the same levy. The same applies to UCITS Self Managed Investment Companies (SMICs) and Non UCITS Managers (delegating) are

subject to a fixed levy. A general concern arises as to what effect the new Impact based system will have in relation to these structures.

2. This potentially raises a subsequent, specific issue for Money Market Funds (MMFs) whereby their score under Impact Metrics could be significantly higher than other CIS given a MMF is likely to have a much larger AUM, albeit with very low risk. It is possible that if there are 2 Impact Metrics (AUM & No of Shareholders/Unit holders) a MMF would score very high in the AUM metric and comparatively less in the No. of Shareholders metric, which could somewhat offset each other, but this remains to be seen in practice.
3. Depending on the outcome of the process, it may be appropriate to differentiate MMFs from other fund types and apply a different (larger) divisor to their AUM metric in order to provide a lower impact metric.
4. Another possibility could be that any impact metric derived for all CIS should be subject to a maximum (and possibly a minimum) score for the purposes of supervision and levy allocation.
5. In the determination of regulatory resources and ultimately funding levies, the funds industry would like to be made aware of the outcome of the Impact Metrics exercise at a sector level, to determine how the funds industry in general compares to other industry sectors and to seek assurance that both CIS and funds industry companies are low impact and low risk. In this regard the funds industry would also welcome further engagement with the CBI in respect of determining appropriate risk/probability metrics for the funds industry.

#### Specific Impact Metrics:

The following are proposed Impact Metrics as per the categories provided in CP 49.

E1a. Collective Investment Schemes (Authorised Unit Trusts, Authorised Investment Companies, Authorised Investment Limited Partnerships, **Non-Irish Authorised Schemes (the inclusion of a supervisory or levy metric applicable to non Irish authorized schemes is queried)** and Authorised Common Contractual Funds (omitted from CB's list)) *(subject to a maximum score)*

*Net Assets*

*Number of shareholders/unitholders*

E1b. UCITS Self Managed Investment Companies (SMICS) *(subject to a maximum score)*

*Net Assets*

*Number of shareholders*

E2a - Non UCITS Managers (Delegating) *(subject to a maximum score)*

UCITS and Non-UCITS Managers should be included in E2a such that E2a deals with all management companies

*Number of funds to which the MANCO provides management services*  
*Net Assets of the funds under management*  
*Turnover*

E2b - Administrators, UCITS and Non-UCITS Managers, Trustees

UCITS and Non-UCITS Managers should be included in E2a such that E2a deals with all management companies

*Number of funds which the entity services*  
*Net Assets of the funds serviced*  
*Turnover*  
*Client money (Binary)*

We look forward to further engagement with the CBI on this issue and should there be anything we can be of assistance with please do not hesitate to contact us.

Yours sincerely,

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Kieran Fox