

12 December 2014

Fund Management Company Effectiveness - Delegate Oversight consultation
Markets Policy Division
Central Bank of Ireland
Block D
Iveagh Court
Harcourt Road
Dublin 2

Submitted via email to: fundspolicy@centralbank.ie

**RE: Consultation on Fund Management Company Effectiveness-Delegate Oversight
(Consultation Paper CP 86)**

Dear Sirs,

BlackRock is pleased to have the opportunity to respond to the Central Bank of Ireland's Consultation on Fund Management Company Effectiveness- Delegate Oversight.

BlackRock is a premier provider of asset management, risk management, and advisory services to institutional, intermediary, and individual clients worldwide. As of 30 September 2014, the assets BlackRock manages on behalf of its clients totalled €3.57 trillion across equity, fixed income, cash management, alternative investment and multi-investment and advisory strategies including the iShares® exchange traded funds.

BlackRock has a pan-European client base serviced from 22 offices across the continent. Public and private sector pension plans, insurance companies, third-party distributors and mutual funds, endowments, foundations, charities, corporations, official institutions, banks and individuals invest with BlackRock.

BlackRock represents the interests of its clients by acting in every case as their agent. It is from this perspective that we engage on all matters of public policy. BlackRock supports policy changes and regulatory reform globally where it increases transparency, protects investors, facilitates responsible growth of capital markets and, based on thorough cost-benefit analysis, preserves consumer choice.

We welcome the opportunity to address, and comment on, the issues raised by this consultation and we will continue to contribute to the thinking of the Central Bank of Ireland ("Central Bank") on any specific issues that may assist in improving the final rules.

Responses to questions

- 1. Is publishing a delegate oversight good practice document along the attached lines a good approach to encouraging the development of the supervision of delegates by fund management companies?***

BlackRock is supportive of the publication of a delegate oversight good practice document to encourage the development of the supervision of delegates by fund management companies. We agree that the issuance of guidance rather than prescriptive rules is more appropriate given that the framework for oversight of delegates may vary between fund management companies and will largely be dependent on the nature, scale and complexity of the relevant fund management company. We agree that the guidance would form a useful tool for the supervisory division of the Central Bank when assessing the performance of fund management companies. However, we would encourage consideration to be given by the Central Bank to the fact that the guidance should not constitute the sole framework and therefore any deviations from the delegate oversight good practice document would not in themselves be construed by the Central Bank as a weakness in the oversight framework of the relevant fund management company.

- 2. Is the breakdown of revised managerial functions correct? Should other managerial functions be provided for? What are your observations about what the operational effectiveness function might entail and how this might be performed? Do you see any obstacles to the Chairperson performing the operational effectiveness function?***

BlackRock agrees that the breakdown of managerial functions is correct. We note references to "operational effectiveness" within the Consultation Paper ("CP") and are of the view that these references may be typographical errors and should refer to "organisational effectiveness".

BlackRock welcomes the rationalisation of managerial functions for both UCITS and AIFMD. As a result of this rationalisation, we acknowledge that certain managerial oversight tasks involve a significant amount of work. Accordingly, we would recommend that the Central Bank give consideration to permitting more than one individual to perform each managerial oversight task.

BlackRock is of the view that the chairperson should not exclusively be tasked with performing the "organisational effectiveness" function and it will be largely dependent on the nature, scale and complexity of the relevant fund management company. We are of the view that greater clarity needs to be provided in relation to this role as to whether it is anticipated that this role would be analogous to the role typically carried out by a chief executive officer or chief operating officer. In addition, there may be challenges with a chairperson who is independent of the organisation performing this role and may even compromise their independent status if they are required to undertake the role as anticipated in the CP.

- 3. Is relaxing the two Irish resident director requirement the correct approach? Will relaxing this requirement have an adverse impact on the ability of the Central Bank to have issues with distressed investment funds resolved? If so, how could this be addressed?***

BlackRock welcomes the flexibility which would be afforded to fund management companies in relaxing the requirement to have two Irish resident directors. We are of the view that the relaxation of this requirement would not have an adverse impact on the ability of the Central Bank to have issues with distressed investment funds resolved. We believe that these concerns could be alleviated by ensuring that all directors agree to be available to engage with the Central Bank within a reasonable timeframe. As part of the approval process under the Central Bank's Fitness and Probity regime, the Individual Questionnaire which is required to be completed by directors and filed with the Central Bank contains the contact details of persons performing a pre-approval controlled function (including directors). Therefore the Central Bank should be in a position to contact directors without undue difficulty.

In addition, we would encourage the Central Bank to consider extending the relaxation of the residency requirement for directors to designated persons who are not directors who are responsible for carrying out the managerial functions. We believe that the relaxation of this

requirement for designated persons would also ensure that there is a greater pool of individuals with the appropriate skillset to perform the managerial oversight task. We believe that the skillset of the individual should outweigh the residency of said individual.

4. *What are your views on the proposed approach to measuring time spent in Ireland? Can you suggest any alternatives or any enhancements to the definition proposed by the Central Bank?*

BlackRock acknowledges that a measurable basis for determining time spent in Ireland is reasonable.

5. *Is there a downside to requiring fund management companies to document the rationale for the board composition? Will fund management companies require a transitional period during which they can alter their fund composition to ensure they have sufficient expertise and how long do you consider would be a reasonable timeframe for such adjustments?*

We do not believe that there is a downside to requiring fund management companies to document the rationale for the composition of the board. We are of the view that this requirement should not be limited to the authorisation process but should be extended post authorisation as required. In addition, we would welcome clarity on what is meant by references to the authorisation process. Is it meant to capture authorisation of the management company, authorisation of a director under the fitness and probity regime or authorisation of a fund in respect of which the fund management company has been appointed to act as manager?

We believe that it is not appropriate for the individual with responsibility for monitoring organisational effectiveness to be expected to "keep under review the effectiveness of the board and the fund management company having regard to the contribution of each of the individual directors and individual designated persons" as this should be the collective responsibility of the Board, which is consistent with corporate governance standards already in existence today, for example, the United Kingdom Corporate Governance Code issued by the Financial Reporting Council.

We would recommend that a transitional period of 12 months be provided to fund management companies to review the composition of the board and implement any changes which may be required.

6. *Are there any other elements which should be included by the Central Bank in a Fund Management Company Effectiveness-Delegate Oversight initiative?*

For fund management companies which are authorised under UCITS and AIFMD, we would recommend that the Programme of Activity and Business Plan for the relevant fund management company be incorporated into a single document. This would obviate the need for two separate documents to be maintained by the fund management company and reviewed by the Central Bank.

We acknowledge that organisational requirements for fund management companies are contained in the Central Bank's Alternative Investment Fund Rulebook, Guidance Note 4/07-Undertakings for Collective Investment in Transferable Securities ("UCITS") Organisation of Management Companies, the UCITS Notices and letters to the Irish Funds industry. We would welcome a rationalisation of these requirements into a single document which would replace the various sources as outlined above.

Conclusion

We appreciate the opportunity to address and comment on the issues raised by the CP and will continue to contribute to the thinking of the Central Bank on any specific issues relating to this subject which may assist the Central Bank.

We would welcome any further discussion on any of the points that we have raised.

Yours faithfully,



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