



16 February 2023

Dear Chief Executive Officer

The Central Bank's key regulation and supervision priorities for 2023 and our views on the operating environment are set out herein. These priorities complement the detailed feedback we give through our sector-specific supervisory engagement with firms and the variety of publications we issue.<sup>1</sup> We hope it provides a helpful overview for you, your senior executive colleagues and boards as you navigate the year ahead.

## Background

The Central Bank of Ireland serves the public interest by safeguarding monetary and financial stability and by working to ensure that the financial system operates in the best interests of consumers and the wider economy. Within that, the objective of financial regulation is a resilient and trustworthy financial system, which sustainably serves the needs of the economy and its customers, in which firms and individuals adhere to a culture of fairness and high standards.

We supervise more than 10,000 entities across a range of sectors providing financial services in Ireland and overseas and in doing so, we apply a risk-based approach. Given the diverse sectors and undertakings we supervise, each with its own technicalities, dynamics and geographical footprint<sup>2</sup>, this letter focuses on cross-cutting themes and priorities.

## Economic context

The macro-financial environment remains very challenging. The tragic events in Ukraine and the humanitarian consequences show no sign of abating, and the economic and financial market effects continue to reverberate.

In the Central Bank's most recent Financial Stability Review<sup>3</sup>, we outlined the key risks facing the financial system and our view that global markets remain vulnerable to further shocks, in particular shocks to asset prices. Domestically, while the central expectation for the economy remains for positive (although lower) growth in 2023, the Irish economy is facing increased downside risks, given the size of the energy and inflation shock and the slowdown in the global economy.

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<sup>1</sup> These include the forthcoming Securities Markets Risk Outlook Report and Consumer Protection Outlook Report.

<sup>2</sup> Collectively referred to as "firms" in this letter.

<sup>3</sup> <https://www.centralbank.ie/publication/financial-stability-review/financial-stability-review-2022-ii>



This economic context will be central to our regulatory focus this year. We will be focused on ensuring that the financial system and firms operate to support the interests of consumers and users as they cope with the challenges that arise, and on ensuring that the system itself remains robust and stable.

## Regulatory and Supervisory priorities

Our key 2023 regulatory and supervisory priorities are:

- Providing a clear, open and transparent **authorisation** process through active and constructive engagement with industry and other stakeholders. We are focused on creating the regulatory context in which the potential benefits of innovation for consumers, investors, businesses and society can be realised, while the risks are effectively managed and mitigated;
- Assessing and managing risks to the **financial and operational resilience** of firms. This includes the potential decline in asset quality arising from prevailing inflationary pressures, lingering effects from the pandemic and a slowdown in the UK economy;
- Progressing actions on the **systemic risks generated by non-banks**, in particular advancing a macro-prudential framework for non-banks and improvements to our legislative frameworks and investor protections in the investment fund sector;
- Continuing to oversee the **consolidation of the Irish banking sector** and associated programme of account migration, implement new credit supervision mandates and continue to monitor for emerging risks in relation to distressed debt, investor protection and product governance;
- Consulting and engaging on regulatory developments under the **Consumer Protection Framework** and **Individual Accountability Framework** leading to enhancements in existing and new regulations;
- Implementing **changes to credit union regulations/guidance** arising from the Department of Finance-led Policy Framework Review, including through engaging with sectoral stakeholders;
- Consulting on our approach to **Innovation** that will include an exploration of new ways of engagement with innovators and their products;
- Ongoing focus and vigilance around the integrity of the financial system and preventing misuse through detecting and sanctioning **market abuse**, supervising firms' compliance with Anti-Money Laundering/Combating the Financing of Terrorism obligations and administering and enforcing **financial sanctions** (working closely with An Garda Síochána and other relevant bodies in all these areas);
- Ensuring that the **EU's Anti-Money Laundering Action Plan**, including the establishment of a single supervisory authority (the Anti-Money Laundering Authority), results in a consistent and robust EU-wide framework;
- Contributing to progressing European regulation, particularly the **review of the Payment Services Directive (PSD2)** and the functioning of open banking;
- Implementing new EU regulations on **digital operational resilience (DORA)** and **markets in crypto assets (MiCA)**;
- Strengthening the resilience of the financial system to **climate change risks** and its ability to support the transition to a climate-neutral economy, along with implementing the EU's Sustainable Finance Disclosures Regulation.



## Our approach

Our regulatory and supervisory approach is fundamentally a risk-based approach.

It will continue to be outcomes-focused, forward looking, connected, proportionate, predictable and agile in order to support positive outcomes in our public interest mission. We will continue to work with our European counterparts, including as part of the European System of Financial Supervision and the Single Supervisory Mechanism, to ensure that we achieve effective and consistent regulatory outcomes.

Just as firms like your own must respond to the changing environment and be agile and resilient in the face of a volatile and uncertain world, so too must the Central Bank. We are intent on transforming the Bank to become a more agile, resilient, diverse and intelligence-led organisation, seeking continuous improvement in the way we work to meet the challenges of an evolving financial system.

In all of the above, it is a priority for us to listen to all our stakeholders and build genuine two-way dialogue on these issues.

We look forward to engaging with you and your colleagues in the months ahead.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Sharon Donnery'.

Sharon Donnery  
Deputy Governor, Financial Regulation

A handwritten signature in blue ink, appearing to read 'Derville Rowland'.

Derville Rowland  
Deputy Governor, Consumer and Investor Protection