

Submitted by e-mail: 18/01/19

Dear Sir, Madam

We welcome the publication of the Central Bank's paper entitled Outsourcing – Findings and Issues for Discussion (November 2018) and appreciate the opportunity to provide feedback on this paper.

By way of background, Carne Global Fund Managers (Ireland) Limited is the largest Irish "super management company" providing UCITS and AIFM services to third party managers. Carne also provides services (such as designated persons) to other management companies and AIFMs. Carne is reviewing the paper and the potential impacts for its business and that of its clients. At this stage we would like to provide feedback on some points contained in the paper which we believe are of fundamental importance to the operation of management companies in Ireland.

The footnote on page 3 of the papers states as follows: *"The general term 'outsourcing' is used in this paper in place of other terms which may be used in specific sectors e.g. 'delegation'."*

Carne disagrees with the concept that outsourcing and delegation are the same thing and that the same principles should apply equally to both. Delegation is a fundamental tool in how management companies in Ireland operate and is a very different concept to outsourcing:

- Most Irish management companies ("Man Cos") historically and currently operate on a delegated model and indeed many of these companies have no employees;
- Most Man Cos have numerous delegation arrangements including to regulated Investment Managers, Administrators and Depositaries (some of which are regulated by the CBI);
- Most Irish Man Cos are not equipped to in-source these delegated activities and in some cases are not authorised to carry out such activities (e.g. Investment Management);
- Irish Man Cos / AIFMs have since July 2018 been subject to the CBI's regime governing inter alia, the supervision of delegates as outlined in Fund Management Companies – Guidance (Dec 2016);
- Man Co delegation arrangements have not heretofore been required to comply with the CBI's guidance on outsourcing. If required to do so, they would need to put substantial resources in place (to the extent that they may no longer be economically viable). This would also put Ireland out of step with other competing jurisdictions such as Luxembourg who do not have similar regulation applying to delegation arrangements.

Accordingly in our view, distinction should be made between outsourcing and delegation and the oversight regime applying to both should not be the same. Our view is that delegation should not be considered as outsourcing but rather covered by Fund Management Companies – Guidance (Dec 2016).

Yours sincerely,

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