



Banc Ceannais na hÉireann  
Central Bank of Ireland

Eurosystem

# Securities Markets, Investment Management, Investment Firms and Fund Service Providers

## Central Bank Expectations in light of COVID-19

Version available on website from 5 November  
2020 to 2 February 2021

## Unedited text included on Central Bank website from 5 November 2020

**Explanatory note:** This document sets out unedited text previously published on the Central Bank of Ireland website that has since been superseded. It is being made available for reference purposes only. Our current expectations in this area are set out on our [website](#).

## Securities Markets, Investment Management, Investment Firms and Fund Service Providers – Central Bank Expectations in light of COVID-19

### Introduction

Recognising the challenges faced by firms and market participants as a result of the COVID-19 crisis, in April this year, the Central Bank communicated that it would allow a level of flexibility for regulated firms in certain specified areas.

The Central Bank has determined that certain measures previously communicated in respect of Securities Markets, Investment Management, Investment Firms and Fund Service Providers, and which have since expired on their terms, will not be extended. This includes those setting out expectations relating to:

- Regulatory remittance dates for investment firms and fund service providers;
- Pillar 3 disclosures; and
- The submission of assurance reports in respect of investment firms and fund service providers' arrangements for the safeguarding of client assets or investor money.

The Central Bank has also revised its expectations in respect of risk mitigation programme (RMP) implementation dates and clarified its expectations as regards the application of Pillar 2 Guidance by MiFID investment firms subject to CRR/CRD IV. The Central Bank continues to apply relevant announcements made by the European Supervisory Authorities (ESAs), again to the extent they have not expired on their terms, and to allow limited and time-bound flexibility in specified areas. Further details of the Central Bank's current expectations are set out below. View details of [Central Bank's previous expectations](#) for reference purposes only.

### Pillar 3 Disclosures

MiFID investment firms subject to CRR/CRD IV should assess the need for additional Pillar 3 disclosures on prudential information that may be necessary in order to properly convey the risk profile of the firm in the context of the challenges brought about by the COVID-19 outbreak.

When doing this assessment, investment firms should take into account the extraordinary measures that competent authorities, central banks, national governments, and other EU bodies have announced to address the adverse systemic economic impact of the outbreak.

### Pillar 2 Guidance

The Central Bank has applied Pillar 2 Guidance on a case by case basis to MiFID investment firms subject to CRR/CRD IV based on an identified supervisory requirement for the particular firms. The

Central Bank has separately communicated that it will allow credit institutions to operate temporarily below the level of capital defined by Pillar 2 Guidance. View [details of the guidance](#). However, having regard to the difference in business models, the Central Bank expects MiFID investment firms subject to CRR/CRD IV to hold capital in accordance with any Pillar 2 Guidance communicated to the particular firm by the Central Bank at this time.

## **Additional Data Requests**

Reliable supervisory reporting is crucial in times when the financial system faces many challenges caused by the COVID-19 outbreak. To examine the effects of COVID-19 on the financial sector, the Central Bank will require additional targeted information to be submitted by investment firms, market operators, investment funds and fund service providers during this period. While we aim to be measured and pragmatic with these data requests in terms of the type and frequency of requests, recognising the rapidly evolving nature of the situation we are faced with, we expect investment firms, market operators, investment funds and fund service providers to continue to engage constructively with us and respond to such requests in an expedient manner.

## **Risk Mitigation Programmes (RMPs) for Investment Firms, Fund Service Providers and Market Operators**

In April 2020, the Central Bank applied a level of supervisory flexibility in relation to the deadlines for remedial actions/measures to ensure investment firms, fund service providers and market operators could take the actions and steps needed to cope with significantly changed operational demands, to remain resilient, and to continue to serve their customers and the economy. Individual firms could engage directly with their supervisor where they had difficulties in relation to meeting specific risk mitigation programme (RMP) submission dates. Supervisors assessed the circumstances and determined on a case-by-case basis whether a postponement of such measures would be necessary in order to achieve the objectives stated above. Given that firms have shown operational resilience, the Central Bank now expects firms to meet specific RMP submission dates. Should firms identify concerns in meeting these timelines they should engage in a timely manner with their usual supervisors.

## **Fund Service Provider on-site visits to outsourcing service providers / delegates**

Recognising the challenges that fund administrators, depositaries and fund management companies ('Fund Service Providers') are currently faced with and the uncertain timeline around a return to full on-site working arrangements, the Central Bank is setting out its expectations as regards due diligence arrangements and periodic on-site visits to outsourcing service providers and delegates.

Fund Service Providers are reminded of the importance of maintaining strong ongoing oversight of any outsourcing / delegation arrangements. As part of their ongoing oversight, Fund Service Providers should take into account the location of the relevant service provider(s) and ensure controls are in place to identify and address the material challenges facing such location(s) during the current COVID-19 crisis.

In addition, it remains a matter for the relevant Fund Service Provider to ensure that they are satisfied with the due diligence arrangements in place pertaining to their delegates. Nevertheless, the Central

Bank considers that whilst the relevant COVID-19 related travel restrictions are in place, due diligence monitoring may be carried out remotely using the technology available to, insofar as possible, achieve the same result.

Fund Service Providers should conduct a risk assessment to identify aspects of the outsourcing relationship where appropriate due diligence may be difficult or unfeasible to achieve remotely. Where a risk is identified following this assessment, firms should consider what other steps can be taken to mitigate the risk until an onsite review is completed having regard to the scale and materiality of the outsourced activity. Firms should also put a plan in place to carry out an on-site visit when appropriate taking into account travel and other legal restrictions.

Fund Service Providers should ensure proactive engagement with Central Bank supervisors on these matters. This may include informing supervisors if a delay is likely to persist for an extended period of time beyond the typical process for completing on-site visits, setting out the reasons for the delay, why they believe the delay is reasonable in the circumstances, taking into account evolving COVID-19 related government guidelines and restrictions and any mitigating actions which have been taken.

## Remittance Dates for Financial Statements of Investment Funds

The Central Bank's expectation is that authorised investment funds will file financial statements with the Central Bank within usual time frames. However, where an authorised investment fund is not in a position to meet these deadlines the Central Bank will allow flexibility as regards the deadlines for the submission of each of the "Return Types" listed in Table B below for each of the corresponding "Investment Fund Types" and "Applicable Periods".

Relevant legislative provisions in respect of these Return Types are:

1. Regulation 88(2) European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011
2. AIF Rulebook Chapter 1, Section 5, part (i), paragraph 5
3. AIF Rulebook Chapter 2, Section 5, part (i), paragraph 4 (in respect of RIAIFs).

This is provided that the authorised investment fund (or its management company or AIFM in respect of the investment funds managed by it):

- promptly notifies the Central Bank and informs investors as soon as practicable of the delay, the reasons for such a delay and to the extent possible the estimated publication date (Where it is normal practice to publish financial statements through the medium of a website, notification of delay should also be made through this medium)
- submits the relevant regulatory return within the timeframe listed in the "Extension Period" column in Table B below.

Table B - Investment Funds		
Investment fund type <sup>1</sup>	Return Type / Applicable Period	Extension Period

UCITS investment fund	Annual audited financial statements referring to a year-end occurring on or after 31 December 2019 but before 1 April 2020	2 months
	Annual audited financial statements referring to a year-end occurring on or after 1 April 2020 but before 1 May 2020	1 month
	Semi-annual financial statements referring to a reporting period ending on or after 31 January 2020 but before 1 April 2020	1 month
Alternative Investment Funds	Annual audited financial statements referring to a year-end occurring on or after 31 December 2019 but before 1 April 2020	2 months
	Annual audited financial statements referring to a year-end occurring on or after 1 April 2020 but before 1 May 2020	1 month
	Semi-annual financial statements referring to a reporting period ending on or after 31 January 2020 but before 1 April 2020	1 month

## Updates to Central Bank Regulatory Policy Frameworks

The Central Bank undertakes regular assessments of the domestic regulatory policy framework. This covers Central Bank regulations and rules in respect of securities markets, investment management activities and investment firms.

In this regard, in response to COVID-19, the Central Bank delayed certain publications in relation to its domestic regulatory policy. These publications and updates generally have now resumed. In particular, the Central Bank expects publication of its feedback statement arising from [Consultation Paper 130 \(CP130\), Treatment, Correction and Redress of Errors in Investment Funds](#) will take place by Q1, 2021.

## ESMA Announcements

The Central Bank confirms that it will apply the measures as outlined in recent announcements by ESMA as follows:

- The [statement issued by ESMA on 20 March 2020](#) that in circumstances where firms are unable to record voice communications ESMA expects them to consider alternative steps they could take to mitigate the risks related to the lack of recording until recording is resumed.
- The [statement issued by ESMA on 9 April 2020](#) that ESMA expects NCAs to act in accordance with national rules set out in their Member States and when possible during this specific period not to prioritise supervisory actions in respect of the upcoming deadlines set out in the UCITS Directive, the AIFMD, the EuSEF Regulation and the EuVECA Regulation.
- The [statement issued by ESMA on 11 June 2020](#) as regards the matters that it expects NCAs to consider in assessing open access requests from trading venues or central counterparties under Articles 35 and 36 of MiFIR in the context of COVID-19.

## EBA Announcements

For MiFID investment firms subject to CRR/CRD IV, the Central Bank confirms that it will apply the measures outlined in the following EBA announcements:

- [Statement on the application of the prudential framework on targeted aspects in the area of market risk in the COVID-19 outbreak](#) issued on 22 April 2020. This statement includes information on recommendations by the EBA to the European Commission to make certain changes to current and impending legislation in light of the Covid-19 situation. These include a postponement of the Fundamental Review of the Trading Book – Standardised Approach (FRTB-SA) reporting requirement under CRR2.
- [EBA statement on additional supervisory measures in the COVID-19 pandemic](#) issued on 22 April 2020.

## Other ESA Announcements

- On 4 May 2020, the European Supervisory Authorities published a [Final Report on the EMIR RTS on various amendments to the bilateral margin requirements in view of the international framework](#), which proposes inter alia a deferral until 1 September 2021 of the implementation of initial margin requirements for covered entities with an aggregate average notional amount of non-centrally cleared derivatives that is above EUR 50 billion and until 1 September 2022 for covered entities with an aggregate average notional amount of non-centrally cleared derivatives that is above EUR 8 billion.
- The Central Bank confirms that, in accordance with paragraph 44 of the Final Report, it will apply the EU framework in a risk-based and proportionate manner as regards the relevant deadlines for bilateral margin requirements and the treatment of physically settled FX forward and swap contracts, intragroup contracts, equity option contracts and the implementation of the last phase of the initial margin requirements until the amended RTS enters into force.

## Further updates

The Central Bank will continue to review its approach to supervisory flexibility for investment firms, fund service providers and market operators throughout the duration of the COVID-19 pandemic and may provide further updates as required.

1. For the avoidance of doubt this includes both internally and externally managed authorised funds.

## See also:

- [COVID-19 Information Hub](#)



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