EN

ANNEX III

Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

SUPERVISORY REVIEW AND EVALUATION PROCESS (SREP)([1])

010	Date of the last update of information in this template		(10/06/2022)
020	**Scope of application of SREP** (Article 36 of IFD)	Description of the competent authority's approach to the scope of application of SREP including: ·what types of investment firms are covered by/excluded from SREP. ·a high-level overview of how the competent authority takes into account the principle of proportionality when considering the scope of SREP and frequency of assessment of various SREP elements[(2)].	Risk Assessments (which include both Core and Base levels), consistent with a SREP, are conducted under the Central Bank of Ireland's supervisory risk framework (PRISM). The combination of these risk assessments represents a comprehensive supervisory review of the risks in Investment Firms and is in line with the SREP GLs under CRD. With regard to the principle of proportionality for Investment Firms, the Central Bank of Ireland utilises our in-house Probability Risk Impact System, "PRISM". PRISM is a dedicated prioritisation framework that assists the Central Bank of Ireland with risk-based supervision. This tool differentiates Investment Firms based on their risk profile and their potential impact on the domestic financial system. This categorisation drives the level of supervisory engagement with the Investment Firm. For example, Medium-high impact Investment Firms will have risk assessments conducted over a 3 year cycle. These will consider a broad spectrum of risks that an Investment Firm is likely to face. The Central Bank of Ireland will also take the nature and complexity of the Investment Firm into account as part of their assessment. The categorisation of Investment Firms from a probability perspective is subject to ongoing review. The Central Bank of Ireland will also consider the categorisations of the SREP Guidelines under IFR/IFD (when finalised) and the associated proportionality provisions therein.
030	**Assessment of SREP elements** (Articles 36 of IFD)	Description of the competent authority's approach to the assessment of individual SREP elements-including: ·a high-level overview of the assessment process and methodologies applied to the assessment of SREP elements, including: (i) business model analysis; (ii) assessment of internal governance and investment firm-wide controls; (iii) assessment of risks to capital; and (iv) assessment of risks to liquidity; ·a high-level overview of how the competent authority takes into account the principle of proportionality when assessing individual SREP elements [(3)].	The risk assessment process is conducted under the Central Bank of Ireland's supervisory risk framework (PRISM). This is a comprehensive supervisory assessment of the risks in Investment Firms. The risk assessment process covers prudential requirements, and encompasses the following elements: • A review of the institution's ICAAP; and • A decision on relevant supervisory measures, if any. The Central Bank of Ireland's "PRISM" framework is consistent with the EBA Guidelines on SREP (under CRD IV), and the risk assessment process which is conducted under the PRISM prioritisation framework, is comprised of the following elements: • Strategy/Business Model Risk; • Governance Risk; • Capital Risk; • Liquidity Risk; • Credit Risk; • Market Risk; • Operational Risk; • IT / Cybersecurity Risk; • Client Asset / Investor Money Risk; and • Conduct Risk. The risks to which Investment Firms are exposed are assessed by risk levels and risk controls, allowing for supervisory judgement. The outcome of the risk assessment process can result in supervisory actions and measures or Risk Mitigation Programmes ("RMP") which direct a firm to take appropriate steps to mitigate the risks identified. The probability of the risk occurring is assessed for each risk and reflects the supervisor's assessment of the risk for the investment firm. With regard to principle of proportionality for Investment Firms, the Central Bank of Ireland utilises PRISM (its risk-based supervision framework). This tool differentiates Investment Firms based on their risk profile and their potential impact on the domestic financial system. This categorisation drives the level of supervisory engagement with the Investment Firm, including the assessment of individual risks / SREP elements. The Central Bank of Ireland will also take the nature and complexity of the Investment Firm into account as part of their assessment. The Central Bank of Ireland will also consider the principle of proportionality provisions of SREP Guidelines under IFR/IFD (when finalised).

Annex III

040	**Review and evaluation of ICAAP and ILAAP** (Articles 24 and 36 of IFD)	Description of the competent authority's approach to the review and evaluation of the additional own funds and specific liquidity requirements as part of the SREP, and, in particular, for assessing the reliability of additional own funds and liquidity calculations for the purposes of determining additional own funds and liquidity requirements including[(4)]: ·an overview of the methodology applied by the competent authority to review the internal capital adequacy assessment process (ICAAP) and the internal liquidity adequacy assessment process (ILAAP) of investment firms; ·information/reference to the competent authority requirements for submission of ICAAP and ILAAP-related information, in particular covering what information needs to be submitted; ·information on whether an independent review of the ICAAP and the ILAAP is required from the investment firms.	An ICAAP review is conducted annually for complex investment firms. For investment firms subject to a SREP in any given year, an in-depth review is carried out. This is a full review of the ICAAP as updated and submitted by the investment firm. The Central Bank of Ireland's review of the ICAAP is influential in the assessment of capital adequacy and the quantification of Pillar II Capital Requirements and Pillar II Capital Guidance imposed on each investment firm. Under CRD IV, Investment Firms, which have not been deemed "systemic", in accordance with the provisions of section 2 of the implementation notice, are not required to submit ILAAPs to the Central Bank of Ireland. In determining the reliability of ICAAP capital calculations, an assessment is performed of the following: • The extent to which the institution's board and senior management have taken responsibility for the ICAAP; • The extent to which the design of the ICAAP has been fully specified and documented; • The extent to which the ICAAP forms an integral part of the institution's management processes; • The extent to which the ICAAP is risk-based and covers all material risks to which the institution is or might be exposed; • The extent to which the ICAAP is regularly reviewed; • The extent to which the ICAAP is forward looking and integrated with the institution's strategic plans; and • The reasonableness and adequacy of measurement and assessment processes. An annual ICAAP questionnaire is reviewed by supervisors of Investment Firms. An independent review of the ICAAP is not required from investment firms.
050	**Overall SREP assessment and supervisory measures** (Articles 38 and 39 of IFD)	Description of the competent authority's approach to the overall SREP assessment (summary) and application of supervisory measures on the basis of the overall SREP assessment[(5)]. Description of how SREP outcomes are linked to the application of early intervention measures according to Article 27 of Directive 2014/59/EU and determination of conditions whether the investment firm can be considered failing or likely to fail according to Article 32 of that Directive[(6)].	The Central Bank of Ireland makes an overall assessment of the capital and liquidity adequacy of investment firms based on the information reviewed and evaluated during the SREP. The Central Bank of Ireland strives to take adequate SREP decisions using a wide range of information coming from several building blocks. These include the investment firms' regular reports, ICAAP, engagement with senior management within the investment firm, the investment firms' risk appetite, supervisory quantifications used to verify and challenge the investment firms' estimates, risk assessment outcomes (including risk level and risk control assessments), the outcome of stress tests, and the supervisor's overall risk priorities. The Central Bank of Ireland may consider supervisory measures to rectify or mitigate against deficiencies in controls and/or risk management as part of the SREP. Measures available include: • requiring institutions to hold additional capital; • requiring improvements in internal controls and risk frameworks; • requiring the institution to apply a specific provisioning policy or treatment of assets in terms of own funds requirements; • restricting or limiting the business operations; and • requiring institutions to reduce the inherent risk in their activities. The outcome of the SREP analysis and any supervisory measures imposed are communicated to the investment firm in writing and the investment firm is given an opportunity to respond. Supervisory measures are both quantitative, imposing additional capital and liquidity requirements, and qualitative whereby a risk mitigation programme is imposed on an investment firm. A risk mitigation programme identifies the risk to the investment firm and imposes an action on the investment firm, which should ensure that the risk is mitigated. Contravention of a Central Bank of Ireland regulatory requirement may be the subject of an administrative sanction under Part III C of the Central Bank Act 1942. Please see a link to our Enforcement Process here. As part of the SREP assessment, the supervisors will make a determination on the financial, capital and liquidity position of the investment firm. An analysis is completed of the investment firms' own key risk indicators. A determination is made as to whether the investment firm is likely to breach its capital requirements. If there is any indication of a deteriorating financial position, the Central Bank of Ireland may impose supervisory measures (including early intervention measures if applicable) on the investment firm. If, on these bases, an 'F' SREP score is assigned to an institution (i.e. that one or more of the BRRD FOLTF conditions are met), then the supervisor would engage with the relevant resolution authority in accordance with the applicable procedures, where applicable.

(1) Competent authorities are to disclose the criteria and methodologies used in rows 020 to 040 and in row 050 for the overall assessment, in the form of an explanatory note as per the second column.

(2) The scope of SREP to be considered both at a level of an investment firm and in respect of its own resources. A competent authority shall explain the approach used to classify investment firm into different categories for SREP purposes, describing the use of quantitative and qualitative criteria, and how financial stability or other overall supervisory objectives are affected by such categorisation. A competent authority shall also explain how categorisation is put in practice for the purposes of ensuring at least a minimum engagement in SREP assessments, including the description of the frequencies for the assessment of all SREP elements for different categories of investment firms.

(3) Including working tools e.g. on-site inspections and off-site examinations, qualitative and quantitative criteria, statistical data used in the assessments. Hyperlinks to any guidance on the website to be added.

(4) Competent authorities shall also explain how the assessment of the internal capital adequacy assessment process (ICAAP) and the internal liquidity assessment process (ILAAP) is covered by the minimum engagement models applied for proportionality purposes based on SREP categories as well as how proportionality is applied for the purposes of specifying supervisory expectations to ICAAP and ILAAP, and in particular, any guidelines or minimum requirements for the ICAAP and ILAAP the competent authorities have issued.

(5) The approach competent authorities apply to arrive at the overall SREP assessment and its communication to the investment firms. The overall assessment by competent authorities is based on a review of all the elements referred to in row 020 to 040, along with any other relevant information about the investment firm that the competent authority may obtain.

(6) Competent authorities may also disclose the policies that guide their decisions for taking supervisory measures (within the meaning of Article 18 of the IFD) and early intervention measures (within the meaning of Article 27 of the Bank Recovery and Resolution Directive (BRRD)) whenever their assessment of an investment firm identifies weaknesses or inadequacies that call for supervisory intervention. Such disclosures might include the publication of internal guidelines or other documents describing general supervisory practices. However, no disclosure is required regarding decisions on individual investment firms, to respect the confidentiality principle.
Furthermore, competent authorities may provide information regarding the implications if an investment firm violates relevant legal provisions or does not comply with the supervisory or early intervention measures imposed based on the SREP outcomes, e.g. it shall list enforcement procedures that are in place (where applicable).