



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Our Approach to Supervision

May 2026



Our Approach to Supervision



We take an assertive risk based approach to supervision using appropriate interventions to achieve targeted outcomes.

Our Safeguarding Outcomes

Protection of
Consumer
& Investor Interests

Safety &
Soundness
of Firms

Financial
Stability

Integrity
of the
Financial System

Our Supervisory Principles



The Sectors we Supervise

Banking & Payments

- Payment & Electronic Money Institutions
- Retail Credit
- Credit Unions
- Domestic & International Banks

Insurance

- Domestic Life Insurance
- Domestic Non-Life Insurance
- Reinsurance
- International Insurance

Capital Markets & Funds

- Funds & Fund Service Providers
- MiFID Investment Firms
- Retail Intermediaries
- Markets

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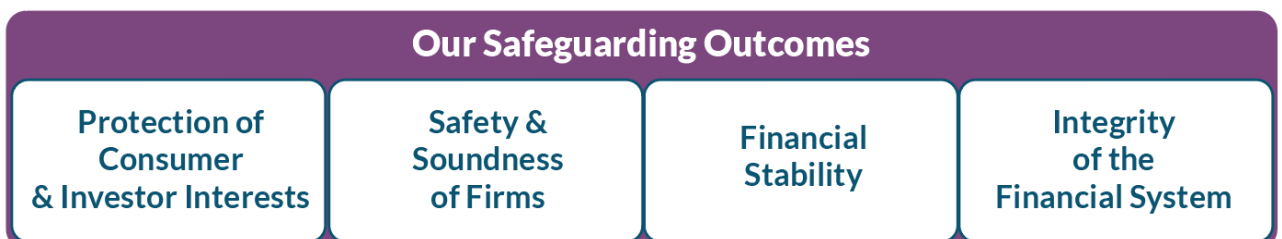
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1. Introduction

The Central Bank of Ireland's (Central Bank) mission is to serve the public interest by maintaining monetary and financial stability while ensuring that the financial system operates in the best interests of consumers and the wider economy. We are part of the European System of Financial Supervision as well as being part of European Central Bank, Single Supervisory Mechanism and the Single Resolution Mechanism. As an integrated central bank and regulator, we have a broad mandate. The Central Bank's mandate covers more than 3,300 firms¹, across a range of sectors and approximately 9,100 investment funds. These sectors are of varying sizes and complexities serving consumers and investors in Ireland, Europe and globally.

Financial regulation is designed to support a well-functioning financial system that delivers for citizens and the economy. Ireland's financial services sector is subject to a range of domestic and international regulations, which provide the framework for protecting consumers of financial services, ensuring the integrity of the financial system is upheld and that firms are safe and sound.

Figure 1: The Central Bank's Safeguarding Outcomes



¹ Firms should be taken with broadest meaning for the context of this document. This includes all entities such as Fund Management Companies, Securities Market Participants/Venues/Issuers etc.

Effective and proportionate supervision, that involves outcomes-focused, risk-based engagement, analysis and oversight of firms, together with the implementation, monitoring and enforcement of regulations, is an important overlay on firms' responsibilities and accountabilities.

An effective culture of risk management in firms is a crucial pre-requisite for a trustworthy financial services system i.e. responsibility for risk identification, management and mitigation rests first and foremost with the boards and management teams of firms. The Central Bank expects that good governance and proactive risk management are priorities for firms and their boards, embedding these throughout the firm through an effective culture. In this context, the Central Bank's Individual Accountability Framework (IAF) is designed to improve governance, performance and accountability in firms by establishing a framework of enhanced clarity as to who is responsible for what within firms. By setting the tone from the top, both through their interactions with the executive and by making an effective culture an integral part of the firm's strategy, boards can make a powerful contribution to establishing a strong ethical and cultural environment throughout. Firms are responsible for managing how they meet their legislative requirements and the Central Bank's requirements and expectations.

An effective culture of risk management in firms is a crucial pre-requisite for a trustworthy financial services system.

2. Our Supervisory Approach

Over time, our regulatory responsibilities, and the sectors we supervise have changed significantly. Our safeguarding outcomes have not.

Innovation, digitalisation and an increasingly interconnected risk landscape are reshaping the risk environment of the sectors we supervise and the consumers and investors we protect. This is recognised in our [strategy](#) (2022 – 2026)².

2.1 Our Supervisory Principles

Our Supervisory Principles provide a common understanding of how we approach delivering on our safeguarding outcomes.

Figure 2: Our Supervisory Principles



² Refreshed in 2024.

Outcomes Focused:

Given the size and complexity of the financial sector, the Central Bank deploys our finite resources in a manner that will mitigate those risks which pose the greatest threats to our safeguarding outcomes. The Central Bank does not operate a no-failures regime, rather it works to ensure that firms effectively identify and manage risks and mitigate the impacts on consumers, investors and the wider economy should risks crystallise. We use our regulatory and supervisory powers proportionately, escalating as required and taking enforcement action where appropriate, to achieve our desired outcomes.

Risk-Based:

Risk-based supervision focuses on the most material risks to achieving our safeguarding outcomes. It uses data, judgement, insight and challenge. It does not mean adopting a defensive or reactive strategy focused on risk elimination (which would not be possible). It means adopting a proactive and forward-looking approach, setting clear objectives and then identifying and responding to the risks that can prevent the achievement of those objectives. Risk-based supervision focuses on remediating issues and delivering fair outcomes. It uses our full supervisory toolkit—including enforcement—and ensures firms take responsibility for identifying and managing the inherent risks of their business to their own sustainability, to consumers and investors and to the wider financial system.

Judgement Led:

Our approach to supervision uses data, analysis and information that we receive in our activities and is informed by our judgement. This enhances our ability to react to new developments, intervene in a timely manner, leverage our integrated mandate, and escalate where and when necessary.

Forward Looking:

We take a long-term view, anticipating the impact of current trends

and emerging risks in a national, European and international context, so that we are better positioned to respond quickly and effectively.

Firms’ Responsibilities:

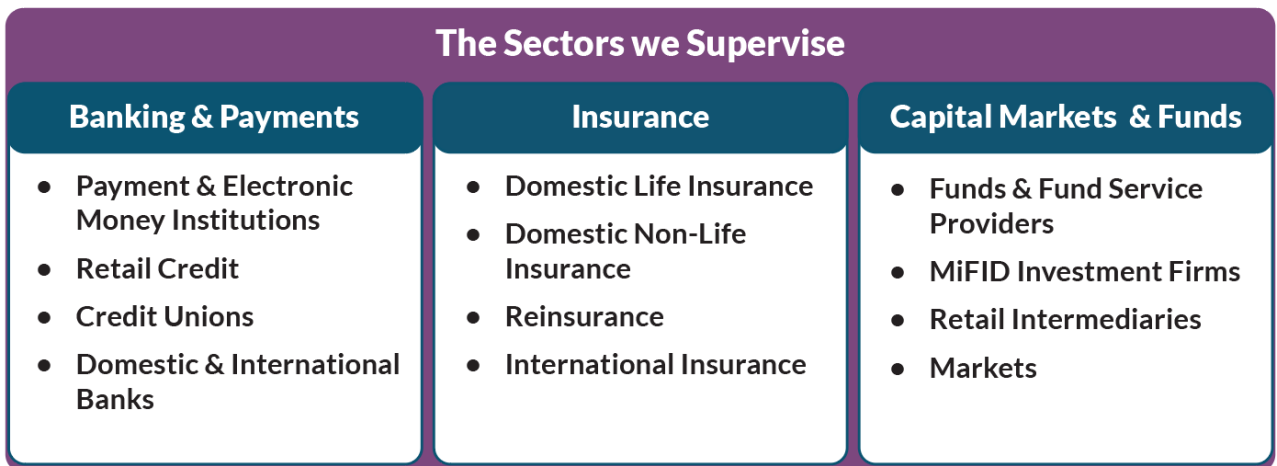
The focus of our work is on resilience, adaptability and trustworthiness in the provision of financial services. Responsibility for risk identification, management and mitigation rests first and foremost with the boards and management teams of firms.

2.2 Our Supervisory Practices

2.2.1 Sectoral Supervision

Under our supervisory framework, we consider the financial system as consisting of three overarching industry categories of related products and services. These are: Banking & Payments, Insurance, and Capital Markets & Funds. Each category contains sectors which cover all regulated firms.

Figure 3: The Sectors we Supervise



We supervise through Sectoral and Close & Continuous supervisory approaches. At a high level, sectoral supervision means that we consider each sector as a whole across our safeguarding outcomes and consider what risks, issues, trends, and vulnerabilities should be our

supervisory focus over a multi-year period. Close & continuous supervision is an approach where we have identified a number of individual firms, from within the sectors, that could have a significant impact on the achievement of our safeguarding outcomes. Due to that significance, we have more intensive supervision of these firms at an individual level.

Our multi-disciplinary teams supervise sectors and firms across all our safeguarding outcomes. Our integrated approach to supervision supports the identification of the root cause of risks, issues and trends arising within and across sectors.

At times, due to the maturity of the firm, past supervisory experience, concerns raised about the firm, significant changes to a firm's business model etc., our supervisors will determine that a firm (that is not supervised on a 'close & continuous' basis (see below)) will have targeted, more intensive supervision for a period of time.

Firms will at times require supervisory engagement to meet legislative requirements or actions required by European Supervisory Authorities (ESAs) e.g. through the Supervisory Review & Evaluation Process. In practice, this will mean that while a firm may not sit within our close & continuous supervision approach, supervisory focus and resources will be deployed to that firm to deliver our legislative requirements within the strategic cycle.

2.2.2 Close & Continuous Supervision

Some firms can have a more significant impact on the achievement of our safeguarding outcomes than others. These firms³ are supervised on a 'close & continuous' basis, at an individual firm level, by multi-disciplinary teams. These firms are also supervised under our sectoral supervision approach.

At times..., our supervisors will determine that a firm (that is not supervised on a 'close & continuous' basis) will have targeted, more intensive supervision for a period of time.

³ Where a firm is supervised on a close & continuous basis, they are advised of this by the Central Bank.

The group of firms supervised on a close & continuous basis is determined by several factors including:

- Their systemic nature, including the risk that a disorderly financial or operational failure would negatively impact financial stability directly or through potential contagion, whether domestically or globally.
- The materiality of the risk that their ongoing operations presents to consumers and investors in Ireland and throughout Europe - through scale, and/or, the nature of the products sold, and/or the nature of their customers (e.g. retail or wholesale) and/or limitations in the timely substitutability of services.
- Arising from the nature and scale of their activities, the extent that they are exposed to heightened financial crime risks that can significantly undermine the integrity of the system.
- Our supervisory experience with those firms and our judgement on their capacity to manage the above risks.

These firms will be subject to close supervisory engagement and continuous assessment across the following specific, but interconnected, risk categories:

- Business Model & Strategy Risk.
- Culture, Governance & Risk Management.
- Operational Resilience Risk.
- Financial Resilience Risk.
- Financial Crime Risk.

In addition, the Central Bank will have a set level of engagement with key individuals in these firms on an annual basis.

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2.2.3 Risk Identification and Prioritisation

We use structured practices to identify and prioritise risks, trends and vulnerabilities, across sectors and firms supervised on a close & continuous basis. This risk assessment approach scans the broader external macro environment and identifies trends and vulnerabilities specific to a sector or an individual firm. We take an integrated approach to the prioritisation of risks, focusing on those risks most likely to threaten the achievement of our safeguarding outcomes and/or those risks significantly beyond our risk tolerance levels⁴.

We are transparent on our prioritised risks. For example, we publish an annual [Regulatory & Supervisory Outlook report \(RSO\)](#) which sets out the Central Bank's perspective on the key trends and risks that are shaping the financial sector operating landscape and our consequent regulatory and supervisory priorities, together with an overview of our planned activities to achieve those priorities.

2.2.4 Risk Mitigation and Remediation

We deliver supervision through a broad range of supervisory actions and interventions, used proportionately to prevent or mitigate the prioritised risks to our safeguarding outcomes.

These actions and interventions range from awareness and expectation setting activities, to engagement with individual firms and sectors, escalating to policy, enforcement and resolution actions, where necessary.

Day-to-day supervision includes, for example:

- Direct engagement with sectors, firms and individuals.

We deliver supervision through a broad range of supervisory actions and interventions, used proportionately to prevent or mitigate the prioritised risks to our safeguarding outcomes.

⁴ We express tolerances for risks, to better understand and manage towards an acceptable level of risk in pursuit of our mission and mandate. For those risks significantly beyond our tolerance levels we judge what we should do to mitigate the risk, weighing this against other priorities, obligations, and requirements, to determine the best course of action.

- Thematic reviews, onsite inspections, deep dives, investigations, risk analysis and assessment.
- Activities in line with our European and international responsibilities (e.g. the Supervisory Review & Evaluation Process).
- Firm-specific risk assessments.
- Monitoring and review of submissions.
- Ensuring firms take appropriate risk mitigation actions to address issues identified.
- Identifying and communicating best practices to drive continuous improvement in the financial system.

Multi-year supervisory strategic plans (see section 2.2.5) include appropriate and proportionate escalation of supervisory actions which aim to deliver effective remediation. For example, considering the capability of a firm to address an issue, the pace of implementation and potential impact of the issue identified, we can increase the intensity and frequency of supervisory engagement and/or utilise our enforcement powers including, for example the Administrative Sanctions Procedure.

We take a targeted and proportionate approach to the use of our enforcement powers. Enforcement cases where significant action is merited are prioritised, determined by considering a number of factors including the seriousness of the suspected breach (including the harm or potential harm involved) and alignment with our supervisory priorities and safeguarding outcomes.

We take a targeted and proportionate approach to the use of our enforcement powers.

2.2.5 Multi-year Supervisory Strategic Plans

Each sector, and each firm supervised on a close & continuous basis, is supervised in an integrated, holistic way with a multi-year supervisory strategic plan.

Multi-disciplinary teams consider the overall context of the macro environment, exogenous driven risks to sectors, alongside endogenous firm driven risks to determine these plans. Our strategic plans are informed, for example, by ongoing supervisory work, including authorisation applications, items brought to our attention via stakeholders including other regulators/competent authorities, the public via our Public Contacts Unit and/or protected disclosures etc. Supervisory judgement then takes account of the Central Bank's [risk tolerance](#) and the nature and scale of each sector, while ensuring proportionality.

The strategic plans specify the targeted supervisory outcomes we want to achieve and set out the supervisory and/or regulatory actions we will take at a sectoral, or an individual firm level. The strategic plans are future focused and refreshed annually to ensure current and emerging risks, trends and vulnerabilities are considered.

While the detailed strategic plans are not published, details of the Central Bank's focus themes per sector for the year ahead are included in the RSO. An annual communication is issued to each close & continuous firm setting out planned activities for the period ahead.

The Central Bank has set out more detail about the supervisory review and evaluation process on our website, for example here for [banking](#).

Each sector, and each firm supervised on a close & continuous basis, is supervised in an integrated, holistic way with a multi-year supervisory strategic plan.

3. Conclusion

Our supervisory approach recognises the interdependent nature of our four safeguarding outcomes and the increasingly interconnected cross-cutting nature of risks. Through integration, a greater focus on outcomes, and a more holistic approach to risk identification and prioritisation, our approach delivers simplification benefits for the Central Bank and the firms we supervise. These include:

- Firms hear one voice across our integrated mandate – improving the clarity and effectiveness of our interventions.
- Streamlined engagement and requests from the Central Bank via integrated, multi-disciplinary teams.
- Better living our risk-tolerance and our outcomes focussed, risk-based approach, with embedded proportionality.
- Regulating and supervising well for a more effective and efficient framework.

Our supervisory approach recognises the interdependent nature of our four safeguarding outcomes and the increasingly interconnected cross-cutting nature of risks.

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