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# *Director oversight of fund distribution*

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At the end of 2016, the Central Bank of Ireland (the “CBI”) published the feedback statement and guidance paper to CP 86 – third consultation. Why is this relevant to Fund Distribution?

The guidance identified distribution as one of the six key managerial functions and for the first time the Central Bank has clearly outlined the role of Directors in relation to Fund Distribution.

Directors must be satisfied that there are arrangements in place to enable

compliance with applicable laws and regulatory requirements. They must also ensure that there are appropriate policies and procedures in place in relation to distribution oversight and have an understanding of the distribution strategies including the jurisdictions into which the investment funds are marketed.

The guidance states that at the time of the launch of a new investment fund (including any sub-fund), the board should approve the proposed distribution strategy.

## Key Responsibilities of the Board

### Compliance

Satisfy itself that there are arrangements in place to enable compliance with applicable laws and regulatory requirements.

### Distribution

Distribution strategies including the jurisdictions into which the investment funds are marketed.

### Policies & Procedures

Adoption & review of a comprehensive suite of policies and procedures and periodic reviews of the appropriateness of reliance on policies and procedures of delegates.

## What is a director responsible for in relation to fund distribution?

**At the time of the launch of a new investment fund (including any sub-fund), the board should approve the proposed distribution strategy, including:**

- who will undertake the tasks associated with distribution and any proposed delegation;
- the marketing strategy and approach;
- target markets and channels, including the competitive landscape;
- the jurisdictions into which distribution is proposed, whether immediately or in due course;
- the control framework for compliance with any local legal, regulatory, tax or other compliance requirements;
- the control framework for marketing in a manner consistent with the terms of the prospectus.

**The board should receive and review regular reports on distribution, including:**

- patterns of distribution, current progress and development, and resourcing;
- sales flows in the period and current pipeline;
- any proposed new developments and initiatives;
- any local legal, regulatory, tax or other compliance issues

## *Sample questions boards might ask in relation to distribution oversight*

- Who are the target investors – retail, institutional? How is suitability to be assessed?
- Who will be responsible for distribution in each of the jurisdictions where the investment fund will be marketed? Will paying agents or local representatives need to be appointed?
- Have local marketing rules and tax laws been assessed? Does the distributor have a robust system of control in place to ensure that marketing of the investment fund complies with these requirements?
- What controls will be exercised to keep marketing materials consistent with the fund's investment policy?
- What controls are in place to ensure that all investors are treated fairly and that information about the fund is disclosed to some investors and not others?



## *How can we help directors with their fund distribution oversight role?*

- Director training workshops on Fund Distribution –get a better understanding of the European/Global Fund Distribution landscape.
- Distribution Compliance Matrix – a template outlining the information that should be provided by the distributor in order for a director to complete its review of the strategy of a new fund launch.
- Market intelligence on distribution environment for local markets – receive an in-depth analysis of the requirements and nuances for specific markets.
- Fund Registration Review - assess how compliant your funds are in the jurisdictions in which they are registered in relation to local regulatory, tax or other compliance requirements in relation to distribution.
- Review of control frameworks - in relation to marketing compliance with the terms of the prospectus and local marketing rules.
- Monitoring of ongoing compliance – receive detail on local market ongoing reporting requirements and regular updates in relation changes to local regulatory, tax or other compliance requirements in relation to distribution.
- Review of marketing documents – review of the Key Investor Information Document (KIID) under UCITS Directive and of upcoming Key Investor Document (KID) under PRIIPS for compliance of requirements outlined in the relevant legislation.

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