

# Ireland AWM regulatory update

February 2022 – May 2022



# Table of contents

The Irish Funds Industry in numbers	03
AWM regulatory landscape: February 2022 - May 2022	04
Irish ManCo market in 2021	16
EU Whistleblowing Directive	18
Gender Pay Gap Reporting	19
US Mutual Fund Directors' Governance Survey 2021	21
Outsourcing in the AWM Industry	23
PwC AWM credentials	25
Our team	27

# The Irish Funds Industry in numbers

Contents

The Irish Funds Industry in numbers

AWM regulatory landscape: Feb 2022 - May 2022

Irish ManCo market in 2021

EU Whistleblowing Directive

Gender Pay Gap Reporting

US Mutual Fund Directors' Governance Survey

Outsourcing in the AWM Industry

PwC AWM credentials

Our team

€6.6tn

Total assets under administration in Ireland – February 2022



€3.9tn

Total domiciled funds in Ireland – February 2022



€2.7tn

Total non-domiciled funds in Ireland – February 2022



€303bn

Net sales of Irish domiciled funds in 2021 – February 2022



76%

Percentage of Irish domiciled assets in UCITS Funds – February 2022



8,372

Number of funds domiciled in Ireland – February 2022



66%

Ireland's share of European ETFs – February 2022



€2.9tn

Net assets of UCITS in Ireland – February 2022



€949bn

Net assets of AIFs in Ireland – February 2022



Source: EFAMA November 2021

Source: Irish Funds – Industry Statistics: February 2022

# AWM regulatory landscape: February 2022 – May 2022

## Contents

The Irish Funds Industry in numbers

**AWM regulatory landscape: Feb 2022 - May 2022**

Irish ManCo market in 2021

EU Whistleblowing Directive

Gender Pay Gap Reporting

US Mutual Fund Directors' Governance Survey

Outsourcing in the AWM Industry

PwC AWM credentials

Our team

## Secondary Equity Market Data

### Market Data in the Secondary Equity Market - Current Issues and Considerations (FR04/2022)

On 28 April 2022 the International Organization of Securities Commissions (IOSCO) released a consultation paper on the current issues and considerations of market data in the secondary equity market.

The Consultation Report described several issues relating to market data in equity markets and asked for views on both the issues and possible solutions.

These issues include:

1. What market data is necessary to facilitate trading in today's markets (i.e., what is considered "core" market data for use by market participants, including investors);
2. Fair, equitable and timely access to market data;
3. Fees for market data and how fees are determined and charged to subscribers;
4. The need for and extent of data consolidation; and

5. How other products or services that relate to accessing market data are provided by trading venues or other regulated data providers (RDPs), and the fees associated with such products and services.

This Final Report provides a high-level summary of the comments received on the Consultation Report and offers three considerations based on the information gathered that may be helpful for regulators involved in the regulation of market data provided by trading venues or over the counter (OTC):

1. Pre-trade data and post-trade data are important in promoting transparency of trading.
2. Fair access to market data is an important consideration in the provision of market data to market participants.
3. Where appropriate, consolidation of data may improve access to market data and may, in some circumstances, be useful in helping to reduce costs of market data, identify liquidity and compare execution quality in jurisdictions where there may be fragmented liquidity.

The report is available [here](#).



## Investor Protection

### Dear CEO letter - MiFID Structured Retail Product Review

On 22 April 2022 a letter was sent to all MiFID CEOs detailing that the CBI has conducted a series of targeted reviews of Structured Retail Products (SRPs) manufactured and distributed by a sample of investment firms in the MiFID investment sector. The reviews were undertaken in light of the increasing complexity of SRPs and investor trends in a rapidly changing retail investment market.

The Dear CEO letter sets out the findings of the SRP reviews, and details the Central Bank's expectations of regulated entities when implementing in practice the relevant MiFID II requirements. The purpose of this letter is to highlight to investment firms the importance of identifying a sufficiently granular target market for these complex products and to drive improvements in the quality and transparency of disclosures to investors of the risks relating to SRPs. A summary of the main findings are listed below:

1. Identify a sufficiently granular target market.
2. Adequately consider the use of highly complex features in SRPs being manufactured and distributed to retail clients, which may be difficult for these clients to understand.

# AWM regulatory landscape: February 2022 – May 2022

Contents

The Irish Funds Industry in numbers

AWM regulatory landscape: Feb 2022 - May 2022

Irish ManCo market in 2021

EU Whistleblowing Directive

Gender Pay Gap Reporting

US Mutual Fund Directors' Governance Survey

Outsourcing in the AWM Industry

PwC AWM credentials

Our team

3. Present fair and balanced past performance (back-testing) information, supported by appropriate context and narrative.
4. Display capital at risk warnings in prominent positions for products where the client's capital is at risk.
5. Ensure consistent levels of clarity and comprehensiveness in disclosures.
6. Disclose adequately the risk and potential impact of restructuring to clients prior to sale.

The letter is available [here](#).



## Investor Protection

**Guidelines - On certain aspects of the MiFID II appropriateness and execution-only requirements (ESMA35-43-3006) (applicable from 12 October 2022)**

On 12 April 2022 ESMA released guidelines on certain aspects of the MiFID II appropriateness and execution-only requirements. These guidelines apply to competent authorities and firms. These guidelines apply from six months of the date of publication of the guidelines on ESMA's website in all EU official languages.

These guidelines are based on Article 16(1) of the ESMA Regulation. The purpose of these guidelines is to clarify the application of certain aspects of the MiFID II appropriateness and

execution-only requirements in order to ensure the common, uniform, and consistent application of, respectively, Article 25(3) of MiFID II and of Articles 55 and 56 of the MiFID II Delegated Regulation as well as of Article 25(4) of MiFID II and of Article 57 of the MiFID II Delegated Regulation.

ESMA expects these guidelines to promote greater convergence in the application of, and supervisory approaches to, the MiFID II appropriateness and execution-only requirements, by emphasising a number of important issues, and thereby enhancing the value of existing standards. By helping to ensure that firms comply with regulatory standards, ESMA anticipates a corresponding strengthening of investor protection.

The guidelines are available [here](#).



## Investor Protection

**Final Report On the European Commission mandate on certain aspects relating to retail investor protection (ESMA35-42-1227)**

The European Securities and Markets Authority ("ESMA") received a formal request (mandate) from the Commission on 27 July 2021 to provide technical advice on certain aspects relating to retail investor protection.

With this Technical Advice ESMA responds to the European Commission's mandate, aiming to

support the further work on the retail investment strategy and ultimately contributing to deliver on ESMA's investor protection objective. The mandate sent by the European Commission to ESMA is available on the Commission's website.

i. Disclosures

ii. Digital Disclosures

iii. Digital Tools and Channels

This report provides the analysis and rationale behind ESMA's final proposals and includes summaries of the feedback received to the Call for Evidence published by ESMA on 1 October 2021. The final report has been submitted to the European Commission on 29 April 2022.

The guidance is available [here](#).



## Exchange Traded Funds

**Exchange Traded Funds - Good Practices for Consideration - Consultation Report (CR04/22)**

On 6 April 2022 IOSCO published a consultation paper on the good practices for exchange traded funds.

This Consultation Report:

1. provides an overview of ETFs, including (i) their distinct market structures, features and uses by investors compared to unlisted open ended funds (OEFs) and other Exchange

# AWM regulatory landscape: February 2022 – May 2022

Contents

The Irish Funds Industry in numbers

AWM regulatory landscape: Feb 2022 - May 2022

Irish ManCo market in 2021

EU Whistleblowing Directive

Gender Pay Gap Reporting

US Mutual Fund Directors' Governance Survey

Outsourcing in the AWM Industry

PwC AWM credentials

Our team

Traded Products ETPs; (ii) jurisdictions' existing regulations and IOSCO guidance; and (iii) jurisdictional differences in regulatory framework and market structure;

2. explains why the 2013 ETF Principles would benefit from being supplemented by a set of good practices. The discussions refer to the major themes explored in the course of C5's review of the 2013 ETF Principles, including (i) the arbitrage mechanism; (ii) disclosure-related issues; (iii) ETF product structuring; (iv) volatility control mechanisms; and (v) ETFs and financial stability;
3. discusses in detail the following 11 proposed good practices, with reference to different regulatory approaches towards ETFs and how ETFs operate in these jurisdictions. These measures centre on the distinctive features of ETFs, which are the trading of ETF shares in the secondary market and the associated arbitrage mechanism;
4. recognises that the proposed good practices may not be applicable in all jurisdictions or in all circumstances, but they could represent a helpful way of addressing certain issues; and
5. seeks feedback on the proposed good practices and the consultation questions, as set out in the report. This Consultation Report is only intended to propose a set of good practices for the consideration of regulators responsible entities and/or trading venues.

The consultation report is available [here](#).



## Regulatory Reporting

### Fund Profile - Reporting requirements of Irish Authorised Investment Funds - Vol 2.0

On 29 April 2022 the Central Bank of Ireland published Vol 2 of the Fund Profile - Reporting requirements of Irish Authorised Investment Funds. The Fund Profile V2 return replaces both the Fund Profile return and the Annual Investment Fund Sub-Fund Profile return. The current iteration is referred to as "Fund Profile V2" in the Central Bank's Online Reporting ("ONR") portal.

All Irish authorised Sub-Funds are required to complete the Fund Profile V2 return.

This Guidance Note (the "Guidance") from the Central Bank of Ireland (the "Central Bank") is relevant for the below groups (collectively referred to as the "Fund"):

- i. All Irish authorised Investment Funds; or
- ii. Investment Funds seeking authorisation in Ireland; or
- iii. The respective governance body of such Investment Funds.

The purpose of this Guidance is to provide information and direction on the completion of the Fund Profile V2 return. Fund Profile V2 was

introduced in Q2 2022 to replace the previous iteration of the Fund Profile return first introduced in 2018. The Fund Profile V2 return now replaces both the Fund Profile return and the Annual Investment Fund Sub-Fund Profile return.

The Fund Profile V2 return will require completion:

- i. on the approval / authorisation of a new Sub-Fund / Standalone Fund (collectively the "Sub-Fund"); and
- ii. annually, to confirm the Sub-Fund's profile and update for changes reflected in the Sub-Fund's offering documents since the last update.

When a Sub-Fund is authorised / approved ("authorised") in Ireland, there is now a requirement to complete a Fund Profile V2 return within 10 working days of the Sub-Fund's authorisation. The Fund Profile V2 return is made through the Central Bank's Online Reporting ("ONR") portal.

On an annual basis, the Fund will be required to review each Sub-Fund's profile. Any changes to Offering Documents since the last review of the Sub-Fund's profile should be updated and the return submitted to the Central Bank via the Central Bank's ONR portal. The previously scheduled Fund Profile return and Annual Investment Sub-Fund Profile return were deleted from the Central Bank's ONR portal as it is no

# AWM regulatory landscape: February 2022 – May 2022

Contents

The Irish Funds Industry in numbers

AWM regulatory landscape: Feb 2022 - May 2022

Irish ManCo market in 2021

EU Whistleblowing Directive

Gender Pay Gap Reporting

US Mutual Fund Directors' Governance Survey

Outsourcing in the AWM Industry

PwC AWM credentials

Our team

Ireland AWM regulatory update

longer required to be completed. Access to past Fund Profile returns and Annual Investment Sub-Fund Profile returns remains.

The guidance is available [here](#).



## Regulatory Reporting

### Asset Concentration Report - Guidance Note for Irish Investment Firms (updated 17 February 2022)

The Asset Concentration Report is applicable to certain investment business firms authorised under the Investment Intermediaries Act, 1995 ("IIA Non-Retail firms"). The Asset Concentration Report is not applicable to retail intermediaries authorised under the Investment Intermediaries Act, 1995 or to fund service providers.

1. The guidance note provides direction on how to complete the Asset Concentration Report. It may be updated periodically and the most up-to-date version will be available on the Central Bank of Ireland ("Central Bank") website.
2. Firms should submit the Asset Concentration Report annually to the Central Bank via the Online Reporting System by the 20th working day after the 31 December. The information on the return should be submitted as at 31 December of the reporting year.
3. Firms may be required to submit the Asset Concentration Report on a more frequent

basis at the discretion of the Central Bank, for instance if there is a supervisory concern in relation to a particular exposure or in relation to a firm's own monitoring and control of its exposures. Therefore firms should have the capability to produce the information required to complete the return at all times.

4. If firms have any queries in relation to the Asset Concentration Report or the content of this guidance note, they should contact their supervisor.

## Counterparty Concentrations

1. Firms should list all asset counterparty concentrations that are greater than 10% of the firm's regulatory own funds on the Asset Concentration Report. Asset Concentration Report – Guidance Note for Irish Investment Firms Central Bank of Ireland Page 4 Back to "Contents".
2. When calculating asset counterparty concentrations, firms should aggregate all on and off-balance sheet assets by counterparty before the deduction of any provisions or offsetting liabilities. It is this gross amount that should be used for the purpose of determining whether the reporting threshold (10% of the firm's regulatory own funds) is exceeded.

Firms should consider whether any counterparties are connected and if there exists a group of connected counterparties,

it is the aggregate exposure to the group that is to be used for the purpose of determining whether the reporting threshold is exceeded.

4. Firms that have no asset counterparty concentrations that are greater than 10% of the firm's regulatory own funds should submit a nil return.

The report is available [here](#).



## Russia/Ukraine - Sanctions

### Industry Communication related to Fund Service Providers effectively managing risks due to the Russian war in Ukraine

On 7 March 2022, the Central Bank of Ireland ("CBI") issued a letter regarding Fund Service Providers effectively managing risks due to Russian invasion into Ukraine. The letter highlighted the following areas:

1. Financial Sanctions: the Central Bank has published on its website details of new restrictive measures/sanctions that are adopted in this regard. Fund Service Providers must remain in compliance with the sanctions at all times with respect to any impacted fund asset or fund investor. For transactions that are identified the service provider must immediately freeze the account(s) and/or stop the transaction(s) and immediately report this to Central Bank.

# AWM regulatory landscape: February 2022 – May 2022

Contents

The Irish Funds Industry in numbers

**AWM regulatory landscape: Feb 2022 - May 2022**

Irish ManCo market in 2021

EU Whistleblowing Directive

Gender Pay Gap Reporting

US Mutual Fund Directors' Governance Survey

Outsourcing in the AWM Industry

PwC AWM credentials

Our team

2. Valuation, liquidity and fund suspensions: fair, appropriate and consistent pricing models and valuation procedures should be used. It is the responsibility of fund management companies to take all necessary steps to ensure that the valuation of fund assets are fair and proper and in accordance with the relevant fund valuation policies and rules. In the current market conditions certain asset classes are subject to pronounced devaluation and / or their ability to trade has been wholly impaired. Fund management companies must ensure valuations applied to such assets appropriately reflect these changes. Fund Management Companies, relevant Pre-Approved Control Function holders and other relevant responsible persons should, on an ongoing basis, assess the liquidity position of each fund under management to ensure that the liquidity of the investment portfolio remains in line with the fund's redemption policy and takes into account the potential redemption demands of investors. Particular attention needs to be given to effectively deploying an appropriate suite of liquidity management tools, including suspension of the relevant fund.

3. Engagement with the Central Bank: where matters of concern arise or potential risks look likely to occur, Fund Service Providers should engage in a timely manner with their relevant Central Bank supervisor.

The letter is available [here](#).



## Cross Border Fund Distribution

### **CBI publishes national provisions governing marketing requirements for AIFs (updated 4 March 2022)**

On 4 March 2022, the Central Bank of Ireland ("CBI") published the national provisions governing marketing requirements for AIFs. The CBI has summarised the requirements as follows.

1. Notification and prior approval of marketing: an AIF situated in another jurisdiction which proposes to market its units in Ireland to retail investors must make an application to the Central Bank in writing and marketing of units in Ireland to retail investors may not take place until the AIF has received a letter of approval from the Central Bank.
2. Notification and prior approval of marketing communications: the Central Bank does not require notification or prior approval of marketing communications for AIFs.
3. Marketing to retail or to professional investors: Chapter 1, Part III (Marketing of AIF to Retail Investors) of the AIF Rulebook sets out requirements for the marketing of AIFs to retail investors. This includes, amongst other requirements:

- i. a requirement to include a statement in relation to where the AIF is authorised/ supervised in each copy of the AIF's

prospectus and in any marketing material distributed in Ireland for the purposes of promoting the AIF to retail investors; and

- ii. the inclusion of additional information in the prospectus of the AIF.

AIFs marketing their units in Ireland to retail investors, shall comply with the Consumer Protection Code of the Central Bank.

The Central Bank guidance, Performance Fees of UCITS and certain types of Retail Investor AIFs, applies to performance fees of AIF marketing their units to retail investors in Ireland (other than those AIF which are out of scope of the Guidance).

4. Additional requirements applicable in particular to the marketing of certain categories of AIFs that exist under national law (e.g. private equity or real estate AIFs): the Central Bank's regulatory framework does not contain additional rules related to the marketing of certain categories of AIFs.
5. Any other requirements for the marketing of AIFs that the competent authority considers appropriate: AIFs marketing their units in Ireland must comply with the law, regulations and administrative provisions in force in Ireland.

The full article is available [here](#).





# AWM regulatory landscape: February 2022 – May 2022

Contents

The Irish Funds Industry in numbers

AWM regulatory landscape: Feb 2022 - May 2022

Irish ManCo market in 2021

EU Whistleblowing Directive

Gender Pay Gap Reporting

US Mutual Fund Directors' Governance Survey

Outsourcing in the AWM Industry

PwC AWM credentials

Our team

## Cross Border Fund Distribution

### Consultation Paper - Draft technical standards on the notifications for cross-border marketing and cross-border management of AIFs and UCITS (ESMA34-45-1471)

On 18 May 2022 ESMA published its consultation paper on draft technical standards on the notifications for cross-border marketing and cross-border management of AIFs and UCITS. Directive 2009/65/EC (the "UCITS Directive") and Directive 2011/61/EU (the "AIFMD") empower ESMA to develop implementing technical standards ("ITS") and regulatory technical standards ("RTS") to specify the information to be provided, as well as the content and format of notification letters to be submitted by UCITS, management companies

and alternative investment fund managers ("AIFMs") to the national competent authorities ("NCAs") to undertake cross-border marketing or cross-border management activities in host Member States, as well as the procedure for the communication of the notification file by the relevant home NCA to the host NCAs of the Member States where these activities are envisaged. The consultation paper ("CP") is the first stage in the development of the draft ITS and RTS described above and sets out proposals on those ITS and RTS on which ESMA is seeking the view of stakeholders.

The consultation paper sets out the following areas for consideration

1. Detailed explanations on the content of the proposals and seek stakeholders' input through specific questions.
2. Legislative mandates to develop draft ITS and RTS.
3. Cost-benefit analysis related to the draft ITS and RTS.

### Next Steps

ESMA will consider the feedback it received to this consultation and expects to publish a final report by the beginning of 2023.

The full consultation paper is available [here](#).



## UCITS

### Approval Process for UCITS Side-pocketing arrangement in relation to Russian, Belarusian and Ukrainian assets that are impacted by the Russian invasion into Ukraine and/or impacted by sanctions that have been imposed as a result of Russia's invasion of Ukraine

On 16 May 2022 the CBI published its notice of intention with regards to the process for UCITS Side-pocketing arrangement in relation to

Russian, Belarusian and Ukrainian assets that are impacted by the Russian invasion into Ukraine and/or impacted by sanctions that have been imposed as a result of Russia's invasion of Ukraine. The Central Bank recognises that due to the specific and exceptional market conditions brought about by the war in Ukraine, certain asset classes are subject to pronounced devaluation and / or their ability to trade has been wholly impaired.

The Central Bank will permit, subject to conditions set out below, a UCITS to implement a side pocket arrangement only for Russian, Belarusian and Ukrainian assets that are directly and/or indirectly impacted by the Russian invasion into Ukraine and/or impacted by sanctions that have been imposed as a result of Russia's invasion of Ukraine ("Affected Securities"). The Affected Securities have become illiquid or untradeable as a result of the Russian invasion of Ukraine and at this time, are difficult to value accurately.

This arrangement may be implemented by way of establishment of a clone fund into which liquid assets may be transferred.

The side pocketing of UCITS assets is only available in the context of Affected Securities and should not be interpreted as creating a precedent by the Central Bank for any other current or future situations. A side-pocket by way of a new UCITS is established when liquid assets of an (original) UCITS are transferred into

# AWM regulatory landscape: February 2022 – May 2022

Contents

The Irish Funds Industry in numbers

AWM regulatory landscape: Feb 2022 - May 2022

Irish ManCo market in 2021

EU Whistleblowing Directive

Gender Pay Gap Reporting

US Mutual Fund Directors' Governance Survey

Outsourcing in the AWM Industry

PwC AWM credentials

Our team

a newly authorised/approved clone UCITS. The Affected Securities which have become illiquid or difficult to value remain in the original UCITS. Shareholders in the newly established clone UCITS hold shares in that fund pro-rata to their holdings in the original UCITS. Investors in the original UCITS continue to have a pro-rata holding in the original UCITS. The original UCITS would be wound down over time with any realised value being paid out to shareholders.

An original UCITS may establish a side-pocket by way of a newly established clone UCITS provided that:

1. The proposal is in the best interests of unitholders.
2. Investors have approved transfer into the newly established clone UCITS side-pocket.
3. The UCITS has obtained prior written approval of the Central Bank for the proposal.
4. The UCITS provides a clear description to unitholders of the costs and fees associated with establishing the side-pocket. The UCITS must also provide details of the ongoing costs and fees payable in its prospectus.
5. The original UCITS is placed in wind-down mode at the same time as the creation of the new clone UCITS.

6. The original UCITS has established written policies in relation to management of the Affected Securities, including policies relating to the costs and fees associated with maintenance of the original UCITS.
7. The original UCITS reports to the Central Bank on an annual basis confirming whether or not the parameters and policies continue to be respected and outlining the prospects and/or plans for the side-pocketed assets and liquidation of the original UCITS.

The full report is available [here](#).



## UCITS

### Questions and Answers - Application of the UCITS Directive (ESMA34-43-392) (updated 20 May 2022)

On the 23 May 2022 ESMA published a Q&A on the application of the UCITS Directive. The purpose of this document is to promote common supervisory approaches and practices in the application of the UCITS Directive and its implementing measures. It does this by providing responses to questions posed by the general public and competent authorities in relation to the practical application of the UCITS framework.

The content of this document is aimed at competent authorities under UCITS to ensure

that in their supervisory activities their actions are converging along the lines of the responses adopted by ESMA. However, the answers are also intended to help UCITS management companies by providing clarity as to the content of the UCITS Directive rules, rather than creating an extra layer of requirements.

There are 12 key topic areas to note in the Q&A. These include the following sections:

1. General UCITS regulations
2. Key Investor Information Document (KIID) for UCITS
3. ESMA's guidelines on ETFs and other UCITS issues
4. Notification of UCITS and UCITS management companies; exchange of information between competent authorities
5. Risk Measurement and Calculation of Global Exposure and Counterparty Risk for UCITS
6. Impact of Regulation (EU) 648/2012 (EMIR)16 on the UCITS Directive
7. Impact of Regulation (EU) 2015/2365 (SFTR)17 on the UCITS Directive
8. Independence of management boards and supervisory functions

# AWM regulatory landscape: February 2022 – May 2022

Contents

The Irish Funds Industry in numbers

AWM regulatory landscape: Feb 2022 - May 2022

Irish ManCo market in 2021

EU Whistleblowing Directive

Gender Pay Gap Reporting

US Mutual Fund Directors' Governance Survey

Outsourcing in the AWM Industry

PwC AWM credentials

Our team

## 9. Remuneration

## 10. Depositary

## 11. ESMA's guidelines on performance fees in UCITS and certain types of AIFs

## 12. Costs and fees

The full Q&A is available [here](#).



## ESG

### TRV Risk Analysis - The drivers of the costs and performance of ESG funds (ESMA 50-165-2146)

Investment funds that include environmental, social and governance (ESG) features have grown rapidly over the last years. ESMA recently

determined that ESG equity undertakings for collective investment in transferable securities (UCITS), excluding exchange-traded funds, were cheaper and better performers in 2019 and 2020 compared to non-ESG peers. The reasons behind this relative cheapness and outperformance of ESG funds are of particular interest.

Understanding the cost and performance dynamics may bring insights for the overall fund industry on how to make funds more affordable and profitable for retail investors.

The study builds on past analyses by assessing whether portfolio composition can help to understand the cost and performance differentials between ESG and non-ESG funds. It identifies several differences between the two categories of funds, with ESG funds being more oriented toward large caps and developed economies, and it demonstrates that these factors are correlated with lower ongoing costs. However, even after controlling for fund characteristics and differences in portfolio exposures, ESG funds remain statistically cheaper and better performing than non-ESG peers between April 2019 and September 2021. Further research is thus needed to identify the other factors driving these cost and performance differences.

The full report is available [here](#).



## ESG

### Supervisory and Regulatory Approaches to Climate-related Risks - Interim Report

On 29 April 2022 the Financial Stability Board published an interim report on the Supervisory and Regulatory Approaches to Climate-related Risk. The report aims to assist supervisory and regulatory authorities in developing their approaches to monitor, manage and mitigate risks arising from climate change and to promote consistent approaches across sectors and

jurisdictions. By focusing on cross-sectoral and system-wide aspects of climate-related financial risks, it complements the standard-setting bodies' ongoing work on approaches to addressing climate-related financial risks for their respective sectors. In addition, as climate change is likely to represent a systemic risk for the financial sector, potential macroprudential tools or approaches would complement micro prudential instruments.

As authorities continue to evaluate their information needs and move towards regular standardised regulatory reporting requirements, key policy considerations include: the expansion of regulatory returns to gather more granular and specific climate-related data on a regular basis; capacity building including upskilling staff and developing analytical tools; information system capabilities; and proportionality, taking into account the nature, size, and risk profile of a financial institution.

The report had 5 key recommendations:

1. Supervisory and regulatory authorities should accelerate the identification of their information needs for supervisory and regulatory purposes to address climate-related risks and work towards identifying, defining, and collecting climate-related data and key metrics that can inform climate risk assessment and monitoring.

# AWM regulatory landscape: February 2022 – May 2022

Contents

The Irish Funds Industry in numbers

AWM regulatory landscape: Feb 2022 - May 2022

Irish ManCo market in 2021

EU Whistleblowing Directive

Gender Pay Gap Reporting

US Mutual Fund Directors' Governance Survey

Outsourcing in the AWM Industry

PwC AWM credentials

Our team

1. Supervisory oversight on financial institutions' governance, processes and controls on climate-related data reported, along with reviews by financial institutions' internal audit function, could strengthen the reliability of data.

2. Authorities should consider using common definitions (such as those proposed by standard-setting bodies and international bodies) for: (i) physical risk, including both acute and chronic risks; (ii) transition risk, including technological developments, behavior or social change, and policy changes; and (iii) liability risk, whether separate from or as a subset of physical and transition risk.

3. To the extent that more specific climate-related information is required for supervisory and regulatory objectives above and beyond public disclosures:

- i. authorities should begin with asking financial institutions to report to supervisors qualitative information supplemented with increasingly available quantitative information (including, where full information is not available, use of proxies or estimates); and
- ii. as the availability and quality of data and measurement methodologies improve, authorities should move to higher reporting standards and/or mandatory reporting requirements.

1. Global coordination and cooperation towards common regulatory reporting frameworks could be a catalyst in the identification of exposures and understanding of impacts of climate-related risks on financial institutions, financial sectors and to the broader financial system. Authorities and standard-setting bodies are encouraged to work towards common regulatory reporting requirements as part of future work.

The interim report is available [here](#).

## ESG

### The European Commission's proposal for a Corporate Sustainability Reporting Directive (CSRD) envisages the adoption of EU Sustainability Reporting Standards (ESRS).

In this context, EFRAG was requested in a letter from Commissioner McGuinness to provide Technical Advice to the European Commission in the form of fully prepared draft standards and/or draft amendments to Sustainability Reporting Standards.

The proposal for a CSRD requires that EFRAG's Technical Advice is prepared with 'proper due process, public oversight and transparency, and with the expertise of relevant stakeholders, and it is accompanied by cost-benefit analyses that include analyses of the impacts of the Technical Advice on sustainability matters', contributing to the delegated acts through which the ESRS will be adopted in the EU.

the basis of the EDs prepared under the sole responsibility of the PTF-ESRS.

The full details of the public consultation is available [here](#).

## PRIIPs Regulation

### Call for advice on PRIIPs: ESA advice on the review of the PRIIPs Regulation (JC 2022 20)

On 3 May 2022 the European Supervisory Authorities' (ESAs) published a report on the review of the PRIIPs Regulations.

The report provides the ESAs technical advice to the Commission on Regulation (EU) No 1286/2014 (PRIIPs Regulation) following a request received from the Commission on 27 July 2021.

It will serve as input to the Commission's work to develop a strategy for retail investments and to make appropriate adjustments to the PRIIPs legislative framework.

Overall, the ESAs suggest a significant number of changes to the PRIIPs Regulation and would therefore encourage the co-legislators to consider a broad review of the PRIIPs framework. The ESAs also think that it is important that before proposals are made to change the PRIIPs Regulation appropriate consumer testing is conducted.

The full report is available [here](#).

# AWM regulatory landscape: February 2022 – May 2022

Contents

The Irish Funds Industry in numbers

AWM regulatory landscape: Feb 2022 - May 2022

Irish ManCo market in 2021

EU Whistleblowing Directive

Gender Pay Gap Reporting

US Mutual Fund Directors' Governance Survey

Outsourcing in the AWM Industry

PwC AWM credentials

Our team

## Short Selling

### Final Report - Review of certain aspects of the Short Selling Regulation (ESMA 70-448-10)

On 5 April 2022 The European Securities and Markets Authority (ESMA) has published its final report on the review of certain aspects of the Short Selling Regulations (SSR).

The report undertakes a systematic review of some of the SSR provisions and proposes targeted changes. During the COVID-19 crisis, Relevant Competent Authority (RCAs) adopted a number of emergency measures, consisting both of short-term and long-term bans. Evidence from the crisis proved how widespread emergency situations might unfold very quickly requiring immediate responses.

In such instance, the measures adopted by RCAs were not only more numerous, but also differed in scope with respect to most emergency measures previously taken by RCAs under SSR. ESMA has analysed the impact of such measures and, after gathering feedback from stakeholders, proposes in this Final Report targeted amendments to the SSR, which aim, among others, at facilitating the operation of the SSR in any future emergency circumstances. Additionally, ESMA in light of the episodes of high volatility which took place in the US markets and elsewhere in respect of the so-called "meme stocks", has considered the

possibility of similar phenomena developing in European markets and has re-assessed in light of such occurrences the relevant SSR provisions. In this respect this Final Report proposes some targeted changes which aim at promoting supervision of locate arrangements and strengthen supervisory convergence.

The report focuses on three main areas of the SSR.

1. Analysis of the impacts of the short selling bans adopted during the COVID-19 crisis
2. The current framework for the calculation of Net Short Positions (NSPs), the so-called "locate rule" and the list of exempted shares
3. Review of the framework for transparency and publication of NSPs.

The full report is available [here](#).



## Best Execution

### Final Report - Review of the MiFID II framework on best execution reports by investment firms (ESMA35-43-3088)

MiFID II requires execution venues and investment firms to publish periodic data on the quality of execution and has required ESMA to adopt technical standards in this area. Relevant technical standards are known as RTS 27 (applicable to execution venues) and RTS 28 (applicable to investment firms).

In the application of the MiFID II framework, ESMA has become aware, also through contacts with stakeholders, of potential issues related to these best execution reporting requirements. The issues are primarily related to reporting by venues and to a lesser extent to firms' reports. Additionally, Directive (EU) No. 2021/338 ("MiFID II Amending Directive") suspends the application of the RTS 27 reporting requirements for two years and requires the European Commission ("Commission") to comprehensively review the adequacy of the reporting requirements under Articles 27(3) and (6) of Directive (EU) No. 2014/65 ("MiFID II") and submit a report to the European Parliament and the Council.

On 24 September 2021 ESMA published a Consultation Paper to seek stakeholders' technical input on ESMA's proposals for possible improvements to the regime which could be adopted in the future to ensure an effective and consistent level of regulation and supervision and enhance investor protection in this area.

During the period in which ESMA's consultation was open, the Commission published its legislative proposals for the review of the MiFID II/MiFIR framework. Those proposals include to delete both Article 27(3) (i.e., the Level 1 basis for the reporting obligation for venues) and Article 27(10)(a) MiFID II (i.e., the empowerment for ESMA to develop draft technical standards). In other words, the Commission's proposed deletions aim at abolishing reporting requirements for venues (RTS 27).

# AWM regulatory landscape: February 2022 – May 2022

Contents

The Irish Funds Industry in numbers

**AWM regulatory landscape: Feb 2022 - May 2022**

Irish ManCo market in 2021

EU Whistleblowing Directive

Gender Pay Gap Reporting

US Mutual Fund Directors' Governance Survey

Outsourcing in the AWM Industry

PwC AWM credentials

Our team

In this light, ESMA decided to put on hold any on-going work related to RTS 27 and, consistently, this Final Report does not deal with this topic but only with best execution reporting requirements for investment firms. ESMA might reconsider this decision, should the Commission's proposal be amended as a result of negotiations at legislative level (so called Level 1) on the MiFID II/MiFIR Review. ESMA sought the advice of the ESMA Securities and Markets Stakeholder Group (MSG) established under Regulation (EU) No 1095/2010.

## Next Steps

The present Final Report, presenting ESMA's views, proposals and opinions on potential improvements of the regime, will be shared with the European Commission to contribute to the Commission's analysis on the adequacy of the MiFID II best execution reporting obligations and to any subsequent determinations on the retention of the regime and how it could possibly change.

The final report is available [here](#).



## AIFMD

### Questions and Answers - Application of the AIFMD (ESMA34-32-352) (updated 20 May 2022)

On the 23 May 2022 ESMA published a Q&A on the application of AIFMD. The purpose of this document is to promote common supervisory approaches and practices in the application of the AIFMD and its implementing measures.

It does this by providing responses to questions posed by the general public and competent authorities in relation to the practical application of the AIFMD.

The content of this document is aimed at competent authorities under AIFMD to ensure that in their supervisory activities their actions are converging along the lines of the responses adopted by ESMA. However, the answers are also intended to help AIFMs by providing clarity as to the content of the AIFMD rules, rather than creating an extra layer of requirements. There are 15 key topic areas to note in the Q&A. These include the following:

1. Remuneration
2. Notifications of AIFs
3. Reporting to national competent authorities under Articles 3, 24 and 42

4. Notification of AIFMs

5. MiFID services under Article 6(4) of the AIFMD

6. Depositaries

7. Calculation of leverage

8. Delegation

9. Calculation of the total value of assets under management

10. Additional own funds

11. Scope

12. Impact of Regulation (EU) 648/2012 (EMIR)16 on AIFMD

13. Impact of Regulation (EU) 2015/2365 (SFTR)17 on AIFMD

14. Branches

15. ESMA's guidelines on performance fees in UCITS and certain types of AIFs

The full Q&A is available [here](#).



# AWM regulatory landscape: February 2022 – May 2022

Contents

The Irish Funds Industry in numbers

AWM regulatory landscape: Feb 2022 - May 2022

Irish ManCo market in 2021

EU Whistleblowing Directive

Gender Pay Gap Reporting

US Mutual Fund Directors' Governance Survey

Outsourcing in the AWM Industry

PwC AWM credentials

Our team

## EU - Financial Risk

### Joint Committee Report on Risks and Vulnerabilities in the EU Financial System (JC 2022 09)

On 14 April 2022 the joint committee of the ESA published a report on the Risks and Vulnerabilities in the EU Financial System. The EU economy has shown a strong recovery from the crisis caused by the COVID-19 pandemic.

The invasion of Russia in Ukraine and its potential economic consequences are further affecting the recovery and the outlook for inflation. Additional vulnerabilities and risks facing the financial system have built up over the longer term. The persistently low interest rates and accommodative monetary policies have underpinned a search for yield behaviour that has been ongoing for some time. This makes financial markets vulnerable to a deteriorating market sentiment, particularly if financial conditions should tighten unexpectedly due to inflationary pressures. The risks in real estate markets have also increased due to a persistent price increases and higher borrowing by households. Next to this, the financial sector is increasingly exposed to, and has to adapt to, environmental risks.

In light of the above-mentioned risks and uncertainties, the Joint Committee advises the ESAs, national competent authorities, financial

institutions and market participants to take the following policy actions:

1. Ensure compliance with the sanctions regimes implemented both at the EU and global level
2. Financial institutions and supervisors should continue to be prepared for a possible deterioration of asset quality in the financial sector
3. Potential further increases in yields and sudden reversals of risk premia should be closely monitored in terms of their impacts for financial institutions as well as for investors
4. Retail investors are of particular concern
5. Financial institutions need to further incorporate ESG considerations into their business strategies and governance structures
6. Financial institutions should strengthen their cyber resilience measures and prepare for a potential increase in cyber-attacks and their consequences going forward

The full report is available [here](#).



# ManCo: the evolution of the Irish ManCo market in 2021

Contents

The Irish Funds Industry in numbers

AWM regulatory landscape: Feb 2022 - May 2022

Irish ManCo market in 2021

EU Whistleblowing Directive

Gender Pay Gap Reporting

US Mutual Fund Directors' Governance Survey

Outsourcing in the AWM Industry

PwC AWM credentials

Our team

As a result of the continued focus on “*substance*” both at a European level by the European Securities and Markets Authority (ESMA), and in Ireland by the Central Bank of Ireland (CBI), the Assets under Management (AUM) of Irish domiciled funds managed by Irish UCITS management companies (ManCos) and Alternative Investment Fund Managers (AIFMs) grew strongly in 2021.

Our latest “Observatory for UCITS Management Companies and AIFMs in Ireland” report shows that the AUM of Irish domiciled UCITS and AIF funds managed by Irish UCITS ManCos/AIFMs has increased by 39% since our previous report to approx US\$3.4trn. This breaks down to US\$2.7trn in UCITS and US\$703bn in AIFs.

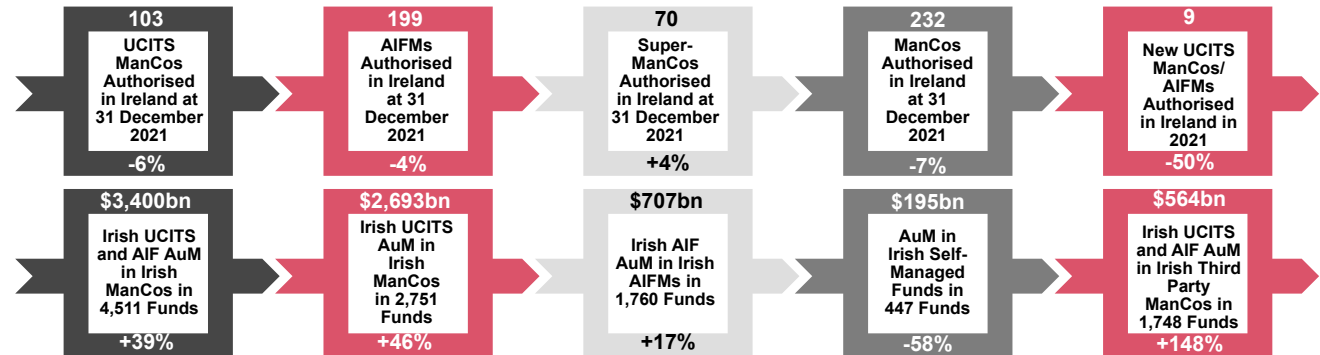
The number of Irish domiciled Self-Managed Investment Companies (SMICs) has reduced by 58%, with the largest proportion of this reduction occurring in the period from 30 June to 31 December 2021 as many funds moved to appoint ManCos/AIFMs ahead of a much anticipated Central Bank of Ireland review which had been flagged for early 2022. At 30 June 2021 there were 967 Irish domiciled SMICs reported in the Monterey Insights Report 2021 but this number was reduced to approximately 447 funds by mid-March 2022.

The growth in the number of new UCITS ManCos and AIFMs which were established in Ireland slowed again in 2021 after the Brexit fuelled growth in 2018 and 2019.

The CBI issued 9 new UCITS ManCo/AIFM (1 UCITS ManCo and 8 AIFM) licences in 2021 which was 50% lower than the corresponding number in 2020.

The use of the management company “*passport*” into and out of Ireland continued to expand in 2021 with Luxembourg based ManCos/AIFMs and UK based AIFMs managing approximately 14% of the AUM of Irish funds which have appointed a ManCo/AIFM.

Despite the loss of the “*EU Passport*”, UK AIFMs can continue to operate as non-EU AIFMs to Irish AIFs. In the 12 month period to 30 June, 2021 the number of Irish AIFs with UK





# ManCo: the evolution of the Irish ManCo market in 2021

Contents

The Irish Funds Industry in numbers

AWM regulatory landscape: Feb 2022 - May 2022

Irish ManCo market in 2021

EU Whistleblowing Directive

Gender Pay Gap Reporting

US Mutual Fund Directors' Governance Survey

Outsourcing in the AWM Industry

PwC AWM credentials

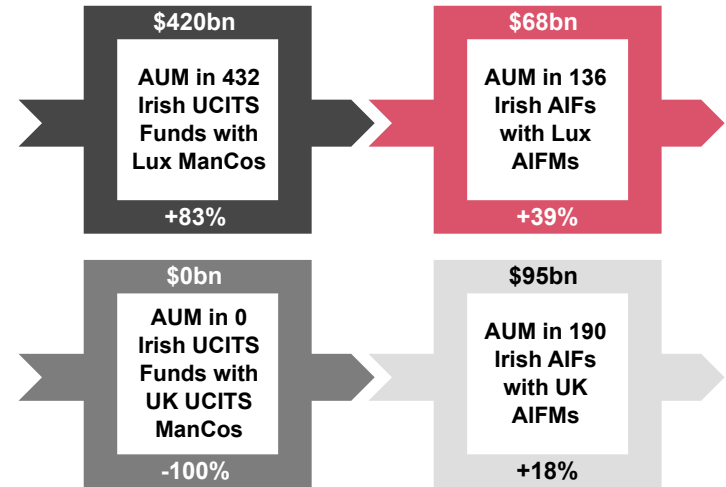
Our team

AIFMs decreased by 10% to 190 funds. In contrast, the AUM of these Irish AIFs increased by 18% in the same period to reach US\$95bn and represents approximately 3% of overall Irish AUM.

Perhaps the most significant trend which arose in 2021 was the exceptionally positive growth in the AUM of Third Party ManCos and AIFMs (3PMs). Fuelled by a number of factors such as new fund launches, market appreciation and the large reduction in the number of SMICs the AUM of 3PMs increased by 148% to reach US\$564bn. Based on our analysis, 3PMs manage 13% of the AUM of Irish domiciled funds which accounted for 29% of the total number of Irish domiciled funds.

Irish regulated 3PMs managed US\$322bn in Irish domiciled funds and accounted for 93% of 3PM AUM. A number of 3PMs from other jurisdictions such as Luxembourg and Malta are also operating in the Irish market.

2022 is already shaping up to be another interesting year in the ManCo market in Ireland with the announcement of a number of significant acquisitions in the 3PM sector leading to further concentration of that market amongst the top 2 or 3 players. We can also expect to see the remaining SMICs coming under increasing pressure to demonstrate that they have appropriate arrangements to ensure that they have sufficient "substance" in place or appoint an external ManCo/AIFM.



For further information please contact [Ken O'Donnell](#).



# EU Whistleblowing Directive

## What will the implementation of the EU Whistleblowing Directive mean for your business?

Contents

The Irish Funds Industry in numbers

AWM regulatory landscape: Feb 2022 - May 2022

Irish ManCo market in 2021

EU Whistleblowing Directive

Gender Pay Gap Reporting

US Mutual Fund Directors' Governance Survey

Outsourcing in the AWM Industry

PwC AWM credentials

Our team

In May 2021, the General Scheme of the Protected Disclosures (Amendment) Bill 2021 was published by the Minister for Public Expenditure and Reform. The aim of the Bill is to transpose the EU Whistleblowing Directive which seeks to harmonise whistleblowing standards and protection across the 27 EU member states. Since 2014 Ireland has a legislative framework governing whistleblowing. The amendments in the proposed Bill will further enhance this. The Protected Disclosures (Amendment) Bill 2022 is expected to be transposed into Irish law in the coming months.

The impact of the new directive on Irish companies can be considered under three main headings:

### 1. Scope of protection widened

The Bill will extend the scope of persons who are protected if they report a relevant wrongdoing to a wider cohort of whistleblowers in line with those protected under the EU Whistleblowing Directive. Volunteers, unpaid trainees, board members, shareholders, suppliers, and job applicants will benefit from whistleblower protection for the first time.

### 2. Expanded definition of "relevant wrongdoing"

The concept of what can be reported will also change, with the definition of "relevant

*wrongdoing*" being widened to include breaches of EU law in certain areas such as financial services, product safety, food safety and public health. It also brings clarity to an area which previously caused uncertainty – it excludes certain interpersonal grievances from its ambit. These should be channelled through a company's normal HR procedures for such matters.

### 3. Internal Reporting Obligations

Private sector organisations with 50 or more employees will be required to establish formal channels and procedures for their employees to make protected disclosures. An external third party may operate these if they are not provided internally. There is a derogation to this requirement for organisations with 50 to 249 employees until 17 December 2023.

Reporting channels must:

1. Be secure to ensure confidentiality of the identity of the reporting person;
2. Acknowledge receipt of the disclosure within seven days of receipt;
3. Involve diligent follow up by a designated impartial person(s);

4. Have reasonable timeframes to provide feedback not exceeding three months; and
5. Ensure provision of clear and easily accessible information.

Employers with an existing protected disclosures policy will be required to update it to ensure compliance with the new requirements.

Employers with an existing group wide reporting channel will also be required to operate local reporting channels at subsidiary level.

### Recommended Next Steps

1. Prepare now to ensure immediate compliance.
2. Assess if, and how, the legislation applies to your company / group of companies.
3. Decide on a whistleblowing reporting system that suits your requirements and adheres to the legislation.
4. Delegate an internal person or project team to ensure the necessary changes are implemented on a timely basis.

For further information please contact [Deirdre McGrath](#) and [Eoghan Lineham](#).



# Gender Pay Gap Reporting

## New supporting guidance sheds light on employers' reporting obligations

Contents

The Irish Funds Industry in numbers

AWM regulatory landscape: Feb 2022 - May 2022

Irish ManCo market in 2021

EU Whistleblowing Directive

**Gender Pay Gap Reporting**

US Mutual Fund Directors' Governance Survey

Outsourcing in the AWM Industry

PwC AWM credentials

Our team

The Gender Pay Gap Information Act 2021 was signed into law on 13 July 2021. The Act indicated that additional regulations would be enacted to provide further clarity on:

1. the class of employer, employee and pay to which the reporting obligations would apply
2. how the remuneration of the employees is to be calculated
3. the form, manner and frequency in which information is to be published

### Definition of employer or employee

For the purpose of gender pay gap reporting, the definition of employer and employee will be based on definitions within the Employment Equality Act 1998. Both definitions are based on the existence of a contract of employment. Organisations with over 250 employees are required to report on their Gender Pay Gap for the first time in 2022.

### Snapshot date

Gender pay gap calculations are based on employer payroll data drawn from a specific date each year. This specific date is called the 'snapshot date'. The guidance confirms that employers must choose a snapshot date in the month of June 2022.

### Calculating the gender pay gap

The methodology outlined in the guidance can be summarised as follows:

1. identify all employees as at the chosen snapshot date
2. collate sufficient data to calculate all ordinary pay and bonus elements paid over the prior year
3. convert these amounts to an hourly rate and calculate the gender pay gap and other disclosures
4. analyse the pay gap at entity level
5. conduct further analysis for part-time employees and those with temporary contracts
6. prepare a narrative outlining the causes of any gender pay gap and any actions being taken to address it

This methodology aligns more closely with the Pay Transparency Directive (which is progressing at European level) than with the UK's gender pay gap legislation. The Irish legislation differs from the UK's requirements in the following ways:

1. Irish employers have just six months to report from the snapshot date
2. Irish employers must analyse 12 months of pay data, rather than just one month of pay data
3. There are more extensive disclosure requirements for Irish employers (e.g. the inclusion of part-timers and those on temporary contracts, and the obligation to report the percentage of employees receiving benefits-in-kind, the causes of the gender pay gap and the actions being taken to address that gap)

# Gender Pay Gap Reporting

New supporting guidance sheds light on employers' reporting obligations

Contents

The Irish Funds Industry in numbers

AWM regulatory landscape: Feb 2022 - May 2022

Irish ManCo market in 2021

EU Whistleblowing Directive

Gender Pay Gap Reporting

US Mutual Fund Directors' Governance Survey

Outsourcing in the AWM Industry

PwC AWM credentials

Our team

Consequently, employers who have pre-prepared calculations mirroring the UK legislation and methodology should now consider rerunning their workings to reflect these key differences between UK and Irish legislation.

## Reporting date

The reporting date will be the same date in December 2022 as the snapshot date. If an employer chooses a snapshot date of 8 June, the relevant reporting date will be 8 December. This means that employers have six months from the snapshot date to calculate and report their gender pay gap figure. Employers should consider their communications strategy (either internal or external) in advance of the reporting date.

## Reporting systems

Employers must publish their organisation's gender pay gap on their website by the relevant date in December 2022. An online reporting system is expected to be in place at the next reporting date.

## The three key actions to take now

To prepare for gender pay gap reporting, employers should ask themselves the following three questions:

1. Do you understand what must be reported?
2. Can your systems easily produce the relevant statistical data?
3. Do you need support to either calculate or validate your gender pay gap, analyse its root causes, or identify why certain groups of staff are especially affected?

For further information please contact [Doone O'Doherty](#), [Gerard McDonough](#), [Anna Kinsella](#) and [Stephanie Good](#).



# PwC US Mutual Fund Directors' Governance Survey 2021

Contents

The Irish Funds Industry in numbers

AWM regulatory landscape: Feb 2022 - May 2022

Irish ManCo market in 2021

EU Whistleblowing Directive

Gender Pay Gap Reporting

**US Mutual Fund Directors' Governance Survey**

Outsourcing in the AWM Industry

PwC AWM credentials

Our team

The role of the Fund Director continues to evolve as new challenges arise. PwC's US Asset and Wealth Management practice has recently published the results of the 2021 Mutual Fund Directors Governance Survey (the "Survey").

The Survey has gauged the views of US mutual fund Directors ("Directors") across a diverse range of complexes from large to small, as well as geography, on a variety of matters. The Survey was designed to identify insights from the boardroom on matters including industry opportunities and challenges, board composition and diversity, as well as board practices relative to strategy, risk and ESG. In 2021, nearly 120 independent directors participated in the Survey conducted during August-September 2021. Consistent themes highlighted throughout this survey were fee pressure, product innovation, ESG, diversity and the impact of technology.

The last 2 years have created unprecedented challenges for mutual fund managers and fund boards. Boardrooms and workforces have shifted to a hybrid working environment with some virtual and some in-person board meetings. The work is more challenging and most directors reported devoting significantly more time to their duties.

Boards face all of these challenges against the backdrop of a global crisis. With strong leadership, boards may be able to leverage the crisis into changes in board composition, revamped board practices, re-envisioned diversity and inclusion efforts, and re-focused board priorities. This is on

top of the acceleration of changes in behaviours and expectations by investors, employees and regulators which have been accelerated by the pandemic.

## **Trends expected to have the most significant impact on the mutual fund industry over the next five years**

When asked about the top three trends impacting the future of the mutual fund industry, 55% of survey respondents believe that both fee pressure and product evolution, including ESG, crypto currency and non-transparent active ETFs will have the most impact. Another 47% believe that the increasing move to passive funds/institutional products away from active mutual funds and 28% expect that increased regulation will have the most impact over the next five years.

## **Directors believe that the following disruptors will create significant opportunities for fund managers**

While the pandemic has created challenges for the mutual fund industry, there are also significant opportunities ahead as well. Directors identified the top three significant opportunities for the future:

1. 61% socially conscious (ESG) investment products
2. 47% investor demographics (e.g., generational shift in wealth)

3. 47% new technologies (e.g., artificial intelligence, behavioural science, disruptive trading platforms, cryptocurrency)

When board members were asked what topics they want to spend more time and focus on with fund management, product innovation topped the list at 60%. Other areas included:

1. 41% technology transformation, including the expanding use of digital cybersecurity risks at the advisor and service providers
2. 38% competitive landscape
3. 34% strategic business initiatives, including mergers and acquisitions

## **Director attributes that are most important**

Mutual fund directors place importance on broad executive management experience as well as industry and financial expertise, with broad executive level management experience (68%), investment management industry experience (56%) and finance/accounting experience (44%) considered to be very important. Other areas considered to be very important include racial/ethnic diversity (35%) and gender diversity (36%).

# PwC US Mutual Fund Directors' Governance Survey 2021

Contents

The Irish Funds Industry in numbers

AWM regulatory landscape: Feb 2022 - May 2022

Irish ManCo market in 2021

EU Whistleblowing Directive

Gender Pay Gap Reporting

**US Mutual Fund Directors' Governance Survey**

Outsourcing in the AWM Industry

PwC AWM credentials

Our team

## Virtual board meetings

Directors also commented that virtual meetings are more efficient but there is a price on board culture. Specifically, nearly half of directors thought the shift to virtual board and committee meetings increased efficiency but negatively impacted board culture (57%), meeting effectiveness (34%), director engagement (30%) and ability to challenge management (29%). As 61% of directors expect virtual meetings to continue in some capacity, it's worth the boards' time to think about how to make improvements to the process now.

## Strong board culture

Mutual fund director board culture is really strong with more than 70% of directors saying:

1. Board meetings are characterised by free/open exchange of ideas;
2. Board members trust each other's judgement and opinions;
3. Shareholder interests are front and centre of the board's focus;
4. The board spends adequate time on its own without management present; and
5. Sufficient time is allotted to discuss issues important to the board.

These results for mutual funds boards were supported by only 27% of directors saying that one or more directors on their board should be replaced – in contrast to 49% of corporate directors.

## Views on board diversity

Mutual fund directors recognize the benefits of a diverse board as 95% believe diversity brings unique perspectives to the boardroom. In addition, more than 80% of directors believe that board diversity:

1. Enhances board performance
2. Improves strategy/risk oversight

In order to achieve greater diversity, 43% of mutual fund directors have replaced a retiring director with a director who increases the board's diversity while 16% increased board size to add a diverse director. In the past two years, 22% of directors have not taken any action regarding board diversity.

In terms of impediments to board diversity, 46% of mutual fund directors believe over-reliance on director networks to source candidates is a reason boards have not become diverse more quickly. Other reasons include:

1. Long-serving directors reluctant to retire (33%)
2. Lack of qualified candidates (29%)
3. Change in the board is not needed (28%)

## Environmental, Social and Governance (ESG)

ESG is certainly top of mind for mutual fund board directors with over 50% of directors agreeing ESG issues are both linked to the advisor's strategy and important to the fund shareholders. Interestingly, less than half of directors believe environmental or sustainability experience is an important competency of the board yet only 29% of directors believe their board has a strong understanding of the ESG issues impacting fund strategy and performance. Many boards are making ESG upskilling a priority for the near term.

**A full copy of the results of the PwC 2021 Mutual Funds Directors Governance Survey is available [here](#).**

Later this year, PwC Ireland will also be conducting a corporate governance survey in the AWM industry and it will be interesting to see if the trends and issues identified by our US colleagues are also being encountered by directors and boards operating in the Irish Asset and Wealth Management Industry.

For further information please contact [Catherine Chambers](#) and [Ken Owens](#).



# Outsourcing in the Asset Wealth Management Industry

## - Navigating the ever changing landscape

Contents

The Irish Funds Industry in numbers

AWM regulatory landscape: Feb 2022 - May 2022

Irish ManCo market in 2021

EU Whistleblowing Directive

Gender Pay Gap Reporting

US Mutual Fund Directors' Governance Survey

Outsourcing in the AWM Industry

PwC AWM credentials

Our team

The Asset Wealth Management (“AWM”) outsourcing landscape is ever changing. Evolution of organisation strategy continues to result in increased deployment of outsourcing arrangements, through both external vendors and internal intra-group entities. Whilst the increased utilisation of outsourcing arrangements provides obvious benefits to AWM firms, this comes with a significant related risk caveat. Failure to monitor and manage outsourcing relationships successfully can result in significant strategic, financial, operational and regulatory risk to firms; related stakeholders; and the Irish market as a whole.

Given the above context, it is not surprising that the Central Bank of Ireland (“CBI”) has a razor focus on outsourcing. The CBI issued Cross-Industry Guidance on Outsourcing in December 2021 (“the guidance”), following a detailed consultation process with the Irish Financial Services sector. Five months on, we take a look at how AWM firms are responding to the key focus areas outlined in the recent outsourcing guidance.

**1. Assessment of Criticality or Importance of the outsourced activity:** Firms should have a formally documented and regularly reviewed methodology for assessing the “criticality or importance” of outsourced services and such assessments should be performed periodically on relevant outsourced service providers (“OSPs”). Many firms are currently focused on refreshing (designing) a methodology that

aligns with the requirements of the guidelines but also one that can be practically and consistently applied across their organisation.

**2. Intra-group Arrangements:** A regular question from clients is “how far do we need to go for our intra-group arrangements?”. Outsourcing services to an intra-group entity can carry the same risks as outsourcing to a third party, but it can also present unique risks. The Guidance states that firms should apply the same rigor to intra-group and third party risk assessments. Many firms are in the process of reviewing and redesigning their intra-group outsourcing processes to ensure regulatory alignment and go forward fit for purpose sustainability.

**3. Outsourcing and Delegation:** The concepts and interpretations of outsourcing v delegation relationships have been a grey area in recent years. The Guidance states that “delegation” and “outsourcing” are not considered to be different concepts. AWM firms are now typically reviewing all delegation relationships to ensure inclusion and deployment of all relevant outsourcing requirements. Firms should be able to demonstrate that the risks associated with such arrangements have been appropriately considered by the board.

**4. Governance:** A firm’s board, senior management and management body are responsible and ultimately accountable for all activities undertaken, including those outsourced. The Guidance states that in

fulfilling their responsibilities, the board should ensure there is a documented outsourcing strategy, aligned to the firm’s business strategy, business model, risk appetite and risk management framework. The Guidance also calls for an outsourcing register and an outsourcing policy, which is reviewed and approved by the board at least annually. Many firms are raising queries regarding the Central Bank’s Q2 2022 outsourcing register submission process. Firms should utilise the prescriptive details in the guidelines to prepare for the CBI’s outsourcing register submission request. A key element of this includes considering process universes, functional hand-offs and other means to ensure a complete inventory of outsourced arrangements is maintained.

**5. Outsourcing Risk Assessment and Management:** Effective monitoring, management and mitigation of outsourcing risk, requires the development, implementation and robust application of a strong outsourcing risk management framework. Firms should seek to integrate their outsourcing risk assessment approach with their broader enterprise risk management framework and related risk assessment processes.

**6. Due Diligence:** Appropriate and proportionate due diligence reviews are required for all prospective external or intra-group providers. Firms are reviewing

# Outsourcing in the Asset Wealth Management Industry

## - Navigating the ever changing landscape

Contents

The Irish Funds Industry in numbers

AWM regulatory landscape: Feb 2022 - May 2022

Irish ManCo market in 2021

EU Whistleblowing Directive

Gender Pay Gap Reporting

US Mutual Fund Directors' Governance Survey

Outsourcing in the AWM Industry

PwC AWM credentials

Our team

due diligence processes to ensure alignment to the guidance, including review of OSPs business reputation, operational and financial capacity and any potential conflict of interest, particularly in the case of intra-group arrangements.

**6. Contractual Arrangements and Service Level Agreements:** Outsourcing arrangements should be governed by legally binding contracts, supported by Service Level Agreements (SLAs), which are subject to periodic assessment and review. The guidance outlines a number of areas which should be considered as part of these written agreements, including the right of a firm to monitor an OSP's performance on an ongoing basis through key performance indicators (KPIs), reporting obligations of the organisation to the OSP, termination rights and exit strategies.

**7. Ongoing Monitoring and Challenge:** Firms should be reviewing their structures to ensure that appropriate assurance is incorporated within their three lines of defence. The guidance outlines how the lines of defence should review outsourcing arrangements and monitor the performance of OSPs using a risk based approach, involving the periodic receipt of agreed upon performance reports from OSPs and assessing OSPs' performance against SLAs and KPIs.

**9. Disaster Recovery and Business Continuity Management:** The impact of COVID-19 highlighted that appropriate disaster recovery and business continuity management is key in ensuring the effective governance and risk management of outsourcing arrangements. The Guidance states that firms should have documented business continuity plans for outsourced services classified as critical or important. Firms should also ensure that OSPs have their own business continuity plans and, for critical or important services, ensure that OSPs complete testing of such plans at least annually.

**10. Provision of Outsourcing Information:** The CBI must be notified of all critical and/or important outsourcing arrangements. The Guidance outlines these notification requirements for firms, including in the event of material changes to existing outsourcing arrangements. The Guidance includes the specific information which should be disclosed as part of these notifications.

**What are the key actions AWM firms should take next?**

**1. Secure senior stakeholder sponsorship:** Ensure the board and senior management team are aware of the impact of the CBI's new outsourcing guidance and secure their support for any required improvements and investments.

**2. Prepare for the Outsourcing Register submission process:** The CBI expects that each regulated firm establishes and maintains an outsourcing register. At the time of writing a CBI outsourcing register submission request remains imminent, with an expected submission time of late July 2022. Firms should prepare for the outsourcing register submission process in line with *section 10.2 and appendix 3* of the guidance.

**3. Build awareness:** Engage with relevant stakeholders across the organisation, through initiatives and training, to ensure they are appropriately informed of the CBI's outsourcing guidance.

**4. Conduct a gap analysis:** If you haven't already done so, compare your current outsourcing framework and governance structures to the CBI's new guidance at a granular level to identify enhancements required.

**5. Develop and implement an enhancement plan:** Develop a comprehensive plan to support implementation of improvements in an appropriate, practical and timely manner.

For further information please contact [Shane Walker](#) and [Damien Carty](#).





# PwC Asset & Wealth Management credentials

## Contents

The Irish Funds Industry in numbers

AWM regulatory landscape: Feb 2022 - May 2022

Irish ManCo market in 2021

EU Whistleblowing Directive

Gender Pay Gap Reporting

US Mutual Fund Directors' Governance Survey

Outsourcing in the AWM Industry

**PwC AWM credentials**

Our team

## ✓ Digital, data, technology and cyber services

Asset management entities are faced with digital, technological, information security and data issues similar to many other financial services companies, while they also seek to simplify business models and improve efficiency. PwC can assist by improving existing technology and helping with new solutions, while keeping your systems secure. Our suite of services includes:

- Digital strategy and system selection support
- System implementation
- Cyber security services
- Project management of IT/Digital projects

## ✓ Tax advice

We have a dedicated group of tax professionals, focused on international and local tax issues facing fund managers. We have a wealth of resources and expertise to assist you in addressing the various tax challenges such as:

- Corporate tax advice
- Financial transactions taxes
- Transfer pricing
- International tax consulting services
- Global tax compliance services
- VAT services

## ✓ Governance

Boards of Directors often need support to adapt to the fast pace of change within the industry. In addition, they will often seek an additional layer of comfort over the companies they are over-seeing. Our suite of services includes:

- Corporate governance reviews
- Assistance with Compliance or Risk Management Frameworks
- Reviewing approaches to Organisation Effectiveness
- Tailored director training

## ✓ Regulatory advisory services

Regulatory change has imposed significant additional requirements and costs on all fund managers. Our suite of services includes:

- Advice on regulatory obligations
- Assurance on regulatory reporting systems and controls
- Assistance with Central Bank of Ireland regulatory authorisations
- Regulatory remediation support

## ✓ Internal audit services

Directors and senior management of fund management companies need to understand the organisation's objectives, risk management priorities, regulatory environment and critical stakeholders' needs to maximise the value and effectiveness of the internal audit function. We can help by:

- Developing and assessing whether your internal audit and risk management methodologies are delivering as effectively as possible to stakeholders.
- Solving your resourcing problems including full outsourcing or complementing your team with specialist skills or geographical coverage.
- Developing training solutions unique to your business using our extensive market and industry knowledge.

## ✓ Operations effectiveness

Asset management companies face people, process and cost challenges similar to many other financial services companies. Our suite of services to help firms to overcome these challenges includes:

- Process intelligence
- Drafting or updating process maps and procedures manuals
- Pre/Post acquisition/disposal services
- Client Assets/Investor Money advice
- Outsourcing/offshoring advice and reviews

# PwC Asset & Wealth Management credentials

Contents

The Irish Funds Industry in numbers

AWM regulatory landscape: Feb 2022 - May 2022

Irish ManCo market in 2021

EU Whistleblowing Directive

Gender Pay Gap Reporting

US Mutual Fund Directors' Governance Survey

Outsourcing in the AWM Industry

**PwC AWM credentials**

Our team



## Independent valuation services

We have the know-how, experience and network to select and use the right valuation approach and judgements.

We can help you assess, design and implement best in class valuation operating models and governance structures.

We can assist in the establishment of a Valuation Committee, advising as to its composition, mandate and accountabilities, specifying a reporting and monitoring plan.



## Strategy and distribution advice

At its core Strategy is about helping clients to make choices - which market they want to play in, what products/services they need to win with and what capabilities they should leverage.

The strategy team undertake corporate plans, feasibility studies, commercial due diligence and market research.



## Financial statements audit

Trust is an important factor in gaining and sustaining the confidence of your stakeholders.

Using our experience and proven track record we can provide the smooth and efficient audit needed to give comfort to you and your stakeholders.



**As a firm we are proud of the depth and breadth of insights and access to networks we can bring to our clients.** In Ireland and internationally, we have an unrivalled client base that allows us to identify and share developing trends and issues.



**A dedicated Asset & Wealth Management team with unrivalled experience.** It is our people, our experience and our passion to contribute to your success that makes us the right team for you. Our Asset & Wealth Management group is the largest in Ireland with nearly 400 investment professionals and staff.



**Building on our track record of delivering alternative thinking.** We use our knowledge to both shape and drive regulation and help our clients, not just in implementing new standards and requirements, but to prepare for future requirements and to ensure that products are properly designed.

Contents

The Irish Funds Industry in numbers

AWM regulatory landscape: Feb 2022 - May 2022

Irish ManCo market in 2021

EU Whistleblowing Directive

Gender Pay Gap Reporting

US Mutual Fund Directors' Governance Survey

Outsourcing in the AWM Industry

PwC AWM credentials

Our team

## Our team

### Ken Owens

Partner

Asset & Wealth Management Advisory

T: +353 86 817 1368

[ken.owens@pwc.com](mailto:ken.owens@pwc.com)

### Catherine Chambers

Director

Asset & Wealth Management Advisory

T: +353 87 615 0687

[catherine.chambers@pwc.com](mailto:catherine.chambers@pwc.com)

### Lesley Bell

Director

Asset & Wealth Management Advisory

T: +353 87 272 2282

[lesley.bell@pwc.com](mailto:lesley.bell@pwc.com)

### Geraldine Brehony

Director

Asset & Wealth Management Advisory

T: +353 87 364 5550

[geraldine.brehony@pwc.com](mailto:geraldine.brehony@pwc.com)

### Paul Martin

Director

Asset & Wealth Management Advisory

T: +353 86 837 7335

[paul.p.martin@pwc.com](mailto:paul.p.martin@pwc.com)

### Tara Doogan

Manager

Asset & Wealth Management Advisory

T: +353 87 721 5727

[tara.doogan@pwc.com](mailto:tara.doogan@pwc.com)

### Kenneth O'Donnell

Manager

Asset & Wealth Management Advisory

T: +353 87 446 0202

[kenneth.odonnell@pwc.com](mailto:kenneth.odonnell@pwc.com)

### Philip Cullen

Senior Associate

Asset & Wealth Management Advisory

T: +353 87 207 5976

[cullen.philip@pwc.com](mailto:cullen.philip@pwc.com)

### Diana Sanchez

Senior Associate

Asset & Wealth Management Advisory

T: +353 87 721 5727

[diana.d.sanchez@pwc.com](mailto:diana.d.sanchez@pwc.com)

### Susie Omokaro

Partner Administrator

Asset & Wealth Management Advisory

T: +353 87 468 2840

[susannah.omokaro@pwc.com](mailto:susannah.omokaro@pwc.com)



[www.pwc.ie](http://www.pwc.ie)

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 156 countries with over 295,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at [www.pwc.ie](http://www.pwc.ie). PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.

This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

© 2022 PwC. All rights reserved.

