

High level findings

During the thematic review, the following key findings were noted in relation to the implementation and embedding of the Fund Management Companies Guidance.

Governance Risk – Designated Persons

Findings:

Deficiencies in how the Designated Person role is discharged include:

- inadequate challenge of delegates
- poor quality of reporting received from delegates
- insufficient review of delegate reports
- varying degrees in level of independent verification performed by the Designated Person
- lack of clearly defined thresholds/criteria for escalation of issues to the Board.

Governance Risk – Organisational Effectiveness Role

Findings:

- Weaknesses in performance of OE role, including inadequate OE reports and lack of evidence to substantiate adequacy of resources.
- Lack of formalised meetings with Designated Persons.

Operational Risk

Findings:

- Deficiencies identified in relation to delegate oversight:
 - Not all FMCs could evidence compliance with Central Bank expectations in terms of due diligence performed on delegates, both initially, for the purpose of determining appointment, and on an ongoing basis thereafter, with reliance placed on Group resources in some instances.

- Firms did not formally document service level agreements in respect of all delegated activities, giving rise to the risk that those activities are not (i) governed in an appropriate manner; or (ii) compliant with the legal / regulatory requirements.
- Where reliance is placed on the policies and procedures of group/delegates, not all FMCs could evidence review of same.
- Not all FMCs could evidence the existence of a formally documented Risk Management Framework that clearly demonstrated the operation of three lines of defence.
- Absence of an entity specific, Board approved Risk Appetite Statement.
- Absence of an entity specific Risk Register.

The following were also identified as weaknesses in governance arrangements:

Governance Risk – Functioning of the Board

Findings:

- Lack of traditional governance structures in place, including low levels of executive role holders, with a CEO in situ in just one in five FMCs.
- Minutes were insufficiently detailed to capture the discussion or challenge at Board level.
- FMCs did not conduct formally documented reviews of (i) Board performance; (ii) Board composition and (iii) INED tenure.
- Lack of evidence of Board approval of sub funds.
- Gender imbalance at Board level.
- Instances of INED tenure exceeding 10 years.
- Absence of a Board-specific Terms of Reference.

Governance Risk – Resources and Organisational Structure

Findings:

- Time commitments of Designated Persons, and more generally, resourcing levels were below Central Bank expectations.

- Co-mingling of support staff working within both the Investment Management and Risk Management functions.
- Absence of a formally documented succession plan.