

CP86- The 3 Year Journey

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Introduction

19 December marked the end of the Central Bank of Ireland’s (“Central Bank”) consultation process for Consultation Paper 86 (“CP86”). This is being widely discussed in the Irish funds market as it examines the Governance, Compliance and Effective Supervision of Irish Funds.

Over the coming weeks, Bridge Consulting will deliver a series of articles examining the components of CP86 and the actions that fund management companies are required to take. The series of articles will then culminate with a review of the overall impact to the different governance options available for Irish fund structures. The articles to follow will be comprised of the following:

Bridge Consulting’s Analysis – The Impacts of CP86

Article 1: Delegate Oversight

Article 2: Organisational Effectiveness

Article 3: Directors’ Time Commitments

Article 4: Managerial Functions

Article 5: Operational Issues

Article 6: Procedural Matters

Article 7: Impact on Irish Fund Structures

Summary of the CP86 Process

Before delivering our series of articles, it may be helpful to recap on the series of consultations and publications which collectively formed the CP86 process. An overview of events is summarised below:

19 September 2014:

- Central Bank publishes its initial Consultation Paper 86 on “*Fund Management Company Effectiveness – Delegate Oversight*” (**the First Consultation**). The consultation paper enclosed a publication from the Committee on Collective Investment Governance entitled “Good governance of delegation by investment companies and management companies”. The committee was comprised of a cross section of professionals from the funds industry.

12 June 2015:

- Central Bank publishes guidelines on Organisational Effectiveness and Directors’ Time Commitments.
- Central Bank publishes draft guidance on “Fund Management Companies – Delegate Oversight” (**the Second Consultation**).

4 November 2015:

- Central Bank publishes a feedback statement on its consultation on Delegate Oversight.
- Central Bank publishes the first three sections of “Fund Management Companies – Guidance” document
 - Section 1: Delegate Oversight
 - Section 2: Organisational Effectiveness
 - Section 3: Directors Time Commitments

- Central Bank publishes a new AIF Rulebook and UCITS Regulations which begin the implementation of CP86 findings (effective from 1st November 2015).

2 June 2016:

- Central Bank publishes its consultation paper on “Fund Management Company – Managerial Functions, Operational Issues and Procedural Matters” (**the Third Consultation**).

19 December 2016:

- Central Bank publishes its feedback statement on the third consultation
- Central Bank publishes the final three sections of “Fund Management Companies – Guidance” document
 - Section 4: Managerial Functions
 - Section 5: Operational Issues
 - Section 6: Procedural Matters

1 July 2017: New applications after this date must comply with all rules

1 July 2018: Final implementation date

Transition Arrangements for the Key Impacts of CP86

As Bridge Consulting has received a number of queries in this area, we felt it beneficial to provide a Transition Schedule for both of the following;

- 1) UCITS Management Companies & UCITS Self-Managed Investment Companies
- 2) AIFMs and Internally Managed AIFs

See the tables below for additional details.

UCITS Management Companies & UCITS Self-Managed Investment Companies

Provision	Transition Date		
	Authorised before 1 Nov 2015	Authorised between 1 Nov 2015 and 30 June 2017	Authorised after 30 June 2017
Managerial Functions Schedule 10 of UCITS Regulations	1 July 2018	Applicable from date of authorisation	Applicable from date of authorisation
Performance of Organisational Effectiveness Role Regulation 100(7)	1 July 2018	Applicable from date of authorisation	Applicable from date of authorisation
Effective Supervision Requirement (to be included in forthcoming amendment of the UCITS Regulations)	1 July 2018	1 July 2018	The Central Bank will only authorise fund management companies that are organised in a way that complies with these provisions
Retrievability of Records (to be included in the forthcoming amendment of the UCITS Regulations)	1 July 2018	1 July 2018	
Guidance: Part I Delegate Oversight	4 November 2015	Applicable from date of authorisation	Applicable from date of authorisation
Guidance: Part II Organisational Effectiveness	Applicable from the date that a fund management company has appointed a person to the Organisational Effectiveness role		
Guidance: Part III Directors' Time Commitments	4 November 2015	Applicable from date of authorisation	Applicable from date of authorisation
Guidance: Part IV Managerial Functions	1 July 2018	1 July 2018	Applicable from date of authorisation
Guidance: Part V Operational Issues	Retrievability of Records: 1 July 2018 Dedicated Email: 30 June 2017	Retrievability of Records: 1 July 2018 Dedicated Email: 30 June 2017	Retrievability of Records: Applicable from date of authorisation Dedicated email address: Applicable from date of authorisation
Guidance: Part VI Procedural Matters	This guidance is a reflection of the existing fund management company guidance and is already applicable consequently, no transitional arrangements apply.		

AIFMs and Internally Managed AIFs

Provision	Transition Date		
	Authorised before 1 Nov 2015	Authorised between 1 Nov 2015 and 30 June 2017	Authorised after 30 June 2017
Managerial Functions AIF Rulebook Chapter 3, iii, 2	1 July 2018	Applicable from date of authorisation	Applicable from date of authorisation
Performance of Organisational Effectiveness Role AIF Rulebook Chapter 3, iii, 3	1 July 2018	Applicable from date of authorisation	Applicable from date of authorisation
Effective Supervision Requirement (to be included in forthcoming amendment of the AIF Regulations)	1 July 2018	1 July 2018	The Central Bank will only authorise fund management companies that are organised in a way that complies with these provisions
Retrievability of Records (to be included in the forthcoming amendment of the AIF Regulations)	1 July 2018	1 July 2018	
Guidance: Part I Delegate Oversight	4 November 2015	Applicable from date of authorisation	Applicable from date of authorisation
Guidance: Part II Organisational Effectiveness	Applicable from the date that a fund management company has appointed a person to the Organisational Effectiveness role		
Guidance: Part III Directors' Time Commitments	4 November 2015	Applicable from date of authorisation	Applicable from date of authorisation
Guidance: Part IV Managerial Functions	1 July 2018	1 July 2018	Applicable from date of authorisation
Guidance: Part V Operational Issues	Retrievability of Records: 1 July 2018 Dedicated Email: 30 June 2017	Retrievability of Records: 1 July 2018 Dedicated Email: 30 June 2017	Retrievability of Records: Applicable from date of authorisation Dedicated email address: Applicable from date of authorisation
Guidance: Part VI Procedural Matters	This guidance is a reflection of the existing fund management company guidance and is already applicable consequently, no transitional arrangements apply.		

The conclusion of the CP86 process is a series of new regulatory rules as well as regulatory guidance. The Central Bank has noted on various occasions that the guidance is designed to ensure fund management companies are compliant with all relevant regulations.

Bridge can provide solutions to assist its clients with the full implementation of requirements coming from CP86.

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