



FINANCIAL REGULATOR
Rialtóir Airgeadais

Supervision of Fund Service Providers

Investment Service Providers Supervision

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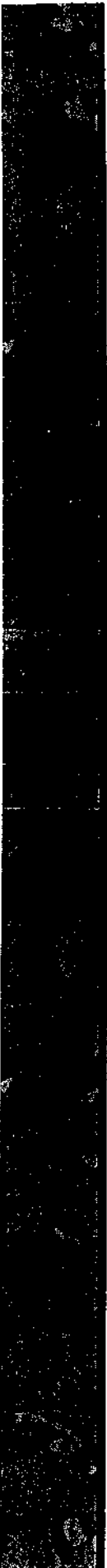
Regulatory Framework

- ❖ 2 Supervision Depts with responsibility for supervision of collective Investment Schemes:
 - Financial Institutions & Funds Authorisations
 - Investment Service Providers Supervision
- ❖ Underlying Principles
 - Protection of Investors' Interests
 - Maintain integrity & stability of financial system
- ❖ Monitor Compliance with standards
- ❖ Guidance Notes - explain & clarify,



Investment Service Providers Supervision

- ISPS part of the Prudential Division of Financial Regulator
- Staff Complement of 37
- Supervision of Funds
 - Supervision of Funds Service Providers
 - Receipt of NAV returns
- Supervision of Investment Firms
- Prudential Supervision of Retail Intermediaries



Supervision of collective investment schemes ("CIS")

- ❖ Authorisation process for funds
- ❖ Authorisation process for Promoters, Management Cos, and Investment Managers
- ❖ Minimum Activities in the State
- ❖ Authorisation of service providers
 - Manager/Administrator, Trustee,
- ❖ Ongoing supervision of service providers and funds



Minimum Activities in the State

The following activities must be conducted in the State by Administrators:

- ❖ Calculation of NAV and dealing price
- ❖ Accounting records and reconciliations
- ❖ Shareholder register
- ❖ Correspondence with unit holders
- ❖ Back-up documents
- ❖ Substantive administration and control



Who Is Supervised?

Supervision:

- ❖ Administrators/ Managers
- ❖ Trustees
- ❖ Management Companies
- ❖ Irish-Authorised Funds

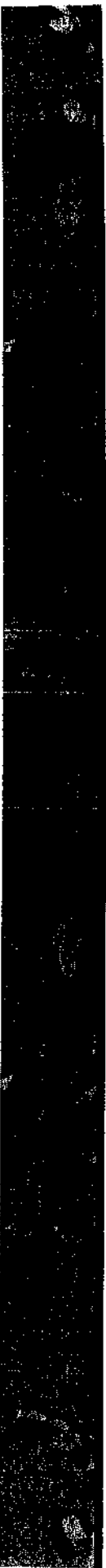
Not Supervised:

- ❖ Non-Irish Funds



Trustee - Role

- ❖ Independent role from Administrator
- ❖ Monitoring compliance with Prospectus/trust deed
- ❖ Monitoring investment breaches
- ❖ NAV calculation / errors
- ❖ Site Visits
- ❖ Cannot delegate trustee role



Direct Supervision

- ❖ Desk Top
 - ❖ Regulatory Reporting
 - ❖ Reviews
 - ❖ Day to day issues
 - ❖ Issues - Pricing/ NAV errors
 - Fraud
 - AML
- ❖ On -Site
 - ❖ Inspections
 - ❖ Specific Issues – Pooling, AML



Management Companies

Desk Top Supervision

- Assessment of Compliance with Capital Adequacy
- Ongoing changes to structure, director changes, ownership changes, business plans.

Inspection

- Assessment of compliance with business plan
- Review managerial functions
- Review of Board Minutes
- Discussion with directors/staff



Reviews

Agenda for Fund Service Providers

- ❖ Review of progress/Future plans
- ❖ Capital Adequacy
- ❖ Internal Audit Reports
- ❖ Systems/Business Continuity planning
- ❖ Staffing
- ❖ Review of operations
- ❖ Error/Breaches Reports
- ❖ Relationship with Trustee/others
- ❖ Anti-money laundering issues
- ❖ Other prudential issues



On- Going Supervision

On Going Supervision of Funds

- Regulatory Reporting for Fund Service Providers
- Min Activities Derogations
- Changes to Processes – electronic dealing
- Fitness & Probity of Directors for FSP
- Investigation of incidents -



NAV Regulatory Reporting

Monthly NAV reporting

- Data received by disk
- Validations
- Review of movements

Annual Reports for Fund

- Reviewed
- Cross Checked to NAV returns
- Trustee Report
- Auditors Report /Management letter



Challenges in the Funds Industry

- Valuation Practices for
 - Difficult to value Instruments
- Outsourcing
 - Outsourcing of low value processing
 - move up the value chain
- Significant Growth
 - Pressure on Fund Service Providers
 - Staff Increases
 - Automation of work processes



Value of Irish Funds

❖ NAV of Irish funds at end Oct 06 - €710 billion

❖ NAV of non Irish funds at end June 06 - € 540 billion