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# Central Bank of Ireland review of delegation by fund management companies

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The Irish funds sector has grown exponentially in the last decade since the publication of the Central Bank's Fund Management Company Guidance or "CP86" in 2016.[1] According to the Central Bank of Ireland (the **Central Bank**),[2] the sector has tripled in size from €1.6 trillion to €5.6 trillion in assets and has seen a 50% increase in the number of Irish authorized funds to 9000. There are currently 121 authorized fund management companies (**FMCs**) in Ireland as the industry keeps pace with the growth of Irish domiciled funds.

Delegation continues to be a key contributor to the success of the Irish funds industry, which has consistently advocated for the merits of the delegation model. The Central Bank recently carried out a review of delegation practices across FMCs as part of the Central Bank's ongoing supervisory engagement with the sector (the **Review**) and published its findings on July 23, 2026 in a Feedback Report (the **Report**). The Review involved a qualitative and quantitative survey of all FMCs, which was eventually narrowed down to onsite inspections of a smaller sub-set of FMCs.

The Report endorses the value of delegation and outsourcing by Irish authorized FMCs and recognizes the benefits that having access to specialized expertise, global investment capabilities and operational efficiencies can ultimately bring to investors. Notwithstanding the clear benefits of delegation, it can also bring supervisory challenges, and FMCs must ensure that they retain ultimate responsibility for the delegated activity at all times, ensuring that they maintain sufficient resources to effectively oversee the delegated tasks.

The Central Bank Review found that FMCs are generally operating "effective delegation frameworks," which is a positive outcome for the sector.

While the findings are encouraging, this does not mean that there are not areas for improvement. The Report sets out the Central Bank's supervisory expectations in five key areas: Governance, Portfolio Management, Risk Management, Delegate Oversight and Data Capabilities. The Report identifies examples of good practice and practices that require enhancement.

1 https://www.centralbank.ie/docs/default-source/regulation/industry-market-sectors/funds/ucits/guidance/fund-mancos-guidance.pdf

2 https://www.centralbank.ie/news/article/speech-deputy-governor-mcmunn-pwc-23-july-2026

| | Supervisory Expectation | Good Practice | Area for Enhancement |
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| **Governance** | - FMCs must have sound governance frameworks in place that are fit for purpose for the business and operating model being deployed. These must ensure that the fund is well run in accordance with its strategy and that risks are effectively managed.<br>- The FMC Board must always ensure that the firm has not delegated its functions to such an extent that it is at risk of being unable to effectively manage the fund or exercise sufficient authority over decision making.<br>- Robust governance and control frameworks are critical. If these pillars are not in place, the ability of an FMC to control the fund and oversee and monitor the delegated activities is compromised. This may adversely impact the interests of investors and the continued resilience of the funds sector. | - FMCs evidenced established governance frameworks that consisted of diverse and experienced board compositions and clear reporting lines that provide for an appropriate structure to oversee and challenge delegated activity.<br>- FMCs have established local committees that provide forums for regular challenge of delegate performance, review of delegate reporting and escalation of delegate-related issues. Evidence was also provided of Board challenge, awareness of the role of local autonomy in decision-making, awareness of risks attached to delegated model and future pipeline of business.<br>- FMCs leverage group expertise, shared services and resource pools to strengthen delegate due diligence, on-site reviews and ongoing monitoring. Clear governance structures and defined roles within these arrangements ensured accountability and effective coordination of oversight activities across the group, supporting consistent delegate management. | - For a small number of FMCs, the level of board independence needs to be enhanced. This arose in particular where group influence on the board was too high, compounded at times by directors serving beyond best-practice tenure limits.<br>- The Central Bank found examples of the need for resource enhancement, including cases where designated persons were not sufficiently senior or were performing too many roles.<br>- In some cases, FMCs demonstrated an over-reliance on group-level committees, where local representatives had limited influence to independently challenge delegate decisions or performance issues.<br>- The Central Bank observed some FMCs operate with largely informal governance practices, lacking documented policies and procedures, including entity-specific risk statements, which heightens the risk of inconsistent decision-making and inadequate oversight of delegates. |

| | Supervisory Expectation | Good Practice | Area for Enhancement |
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| **Portfolio Management** | - The Central Bank expects FMCs to ensure that effective oversight and control frameworks are in place for portfolio management activities.<br>- Where delegation occurs, FMCs must ensure that due diligence is completed to ensure that the delegate meets all the relevant requirements of European and Irish legislation and the relevant local rules and Guidance.<br>- Effective oversight frameworks must support fully informed and timely decision-making by FMCs in relation to the portfolio management activity. The FMC must clearly demonstrate their active decision-making responsibility for portfolio management through documented governance processes and decisions for both delegated and retained portfolio management. | - FMCs demonstrated robust oversight processes, evidencing regular delegate engagement, detailed performance analysis, comprehensive reporting and clear escalation pathways for decision-making related to delegated portfolio management activities.<br>- FMCs also demonstrated appropriate contingency planning, facilitating continuity of service in the event of termination of portfolio management delegates. For those FMCs retaining some or all portfolio management activities, they demonstrated commensurate levels of substance and resourcing for these activities. | - FMCs were unable to demonstrate suitable autonomy with respect to oversight and decision-making of delegated portfolio management activities.<br>- Some FMCs operate an unstructured approach, lacking documented procedures, performance standards and regular monitoring. In some instances, the Central Bank observed limited attention being given to establishing explicit wind-down or transition procedures where a third-party portfolio manager is unable to continue to fulfil their mandate. |

| | Supervisory Expectation | Good Practice | Area for Enhancement |
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| **Risk Management** | • The Central Bank expects that each FMC implements effective risk management frameworks that reflect the FMCs' operating model, the complexity of the relevant investment strategy, and the nature and composition of the underlying portfolio of assets. These frameworks should clearly distinguish between those activities that are retained and those that are delegated.<br>• Where aspects are delegated, appropriate depth of verification of delegate outputs supporting FMC decision-making must be retained. The FMC must clearly demonstrate their active decision-making responsibility for risk management through documented governance processes and decisions. Access to timely and accurate data is essential for FMCs to make a comprehensive assessment of all risk management activities.<br>• Importantly, where an FMC operates a delegation model, there must be a well-considered balance between portfolio management and risk management delegation so that the overall degree of delegation is not disproportionate and meets the requirements of relevant legislation. | • Where retained, risk management was established as a core function that enabled FMCs to maintain independent oversight, set risk limits and monitor compliance appropriately.<br>• FMCs demonstrated independent verification of delegated risk activities, including shadow or independent checks with real-time data access and pre-trade compliance controls. This enables FMCs to independently validate the outputs from their delegates relating to risk management. | • Where FMCs engage delegates to support core elements of risk management activities, governance and risk management measures require enhancement to ensure they function effectively and meet expectations set out in the Central Bank's Cross Industry Guidance on Outsourcing. In some FMCs, the Central Bank noted that risk anagement resourcing needed strengthening to ensure effective decision-making and oversight of activities.<br>• Some FMCs were unable to demonstrate robust independent challenge or access to real-time data, relying instead on delegate reporting. Access to timely and accurate data emerged as a material differentiator in the effectiveness of risk management frameworks. |

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| **Delegate Oversight** | • The Central Bank expects FMCs to retain clear decision-making authority and control over all delegated activities. An effective delegation model is supported by a robust, documented oversight framework. This ensures that FMCs have sufficient information to exercise effective governance and make timely, informed and evidence-based decisions about delegated activities.<br>• FMCs should ensure that there is a clear due diligence methodology applied consistently across all delegates, including sub-delegates, with an appropriate level of on-site engagement. There should be defined objectives and triggers for due diligence of delegates, supported by consistent documented evidence trails.<br>• There should be a strong level of formality, depth and accountability across the oversight frameworks, and FMCs should not rely solely on due diligence questionnaires or self-reporting by the delegate. | • FMCs adopt a risk-based approach to delegate due diligence using Due Diligence Questionnaires and RAG scoring to prioritize oversight resources. Regular reporting including SLA/KPI provide ongoing visibility of delegate performance, compliance and operational status, enabling FMCs to identify emerging issues, track remediation and maintain continuous oversight.<br>• FMCs conducted targeted annual on-site visits across their network of delegates to assess delegate capabilities, controls, systems and personnel. | • Instances of FMCs relying on group processes for delegate due diligence rather than conducting their own direct assessment. Relatedly, the Central Bank observed instances of insufficient representation of local FMC management at group level committee considering delegation oversight.<br>• Insufficient involvement of Designated Persons and Operational Risk functions in delegate oversight, with some FMCs engaging group or seconded personnel. |

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| **Data Capabilities** | - The Central Bank expects that all FMCs ensure that they have appropriate data delivery and data management practices in place to facilitate access to timely and accurate data to support both effective decision-making and oversight of delegates.<br>- While capabilities here continue to evolve, FMCs should address any gaps that persist in strategy, integration, data governance and data reporting effectiveness that could impact the execution of their responsibilities in managing the fund portfolio. | - FMCs demonstrated an increasing awareness and use of data as a strategic asset, with data improvement programs implemented in larger firms. Reliance on automated reporting and business intelligence tools is rising, supporting timely Management Information and compliance dashboards.<br>- Larger FMCs established formal data policies and procedures, including approaches to data acquisition, retention and accuracy.<br>- Dedicated resources to data were noted, focusing on accessibility, reliability and quality, with some FMCs having dedicated data teams in place, particularly those operating at higher scale or complexity levels. | - A fragmented approach to data integration in some FMCs, with disparate systems for risk, investment, operations and compliance, resulting in manual data reconciliation.<br>- Some FMCs engaging delegates for pre/post trade controls and elements of investment and borrowing restrictions monitoring, including instances of overriding internal risk limits.<br>- Instances where FMCs had not established processes and contingency arrangements to manage potential data loss or interruption. |

# What should FMCs do now?

FMCs should carry out an analysis of the Central Bank supervisory expectations and observations of best practice against their own policies, procedures and delegation framework. The analysis should include a review of all day-to-day operational, resourcing and governance arrangements in respect of delegation. The Report requires FMCs to put a time-bound plan in place to address any gaps identified as part of this analysis by year's end.

The Central Bank also indicated that, given the dynamic and evolving nature of the regulatory landscape, it will review its current FMC guidance, including enhancements to the current framework as regards delegation and consideration of how SEAR might be proportionately applied to the funds sector. The review will be carried out in line with the Central Bank's simplification principles.[1] The Central Bank has made it clear this does not mean there will be no new requirements for FMCs. [2]


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1 https://www.centralbank.ie/docs/default-source/regulation/transforming-regulation-and-supervision/regulating-supervising-well-a-more-effective-and-efficient-framework.pdf?sfvrsn=53066c1a_8

2 https://www.centralbank.ie/news/article/speech-deputy-governor-mcmunn-pwc-23-july-2026

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