Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

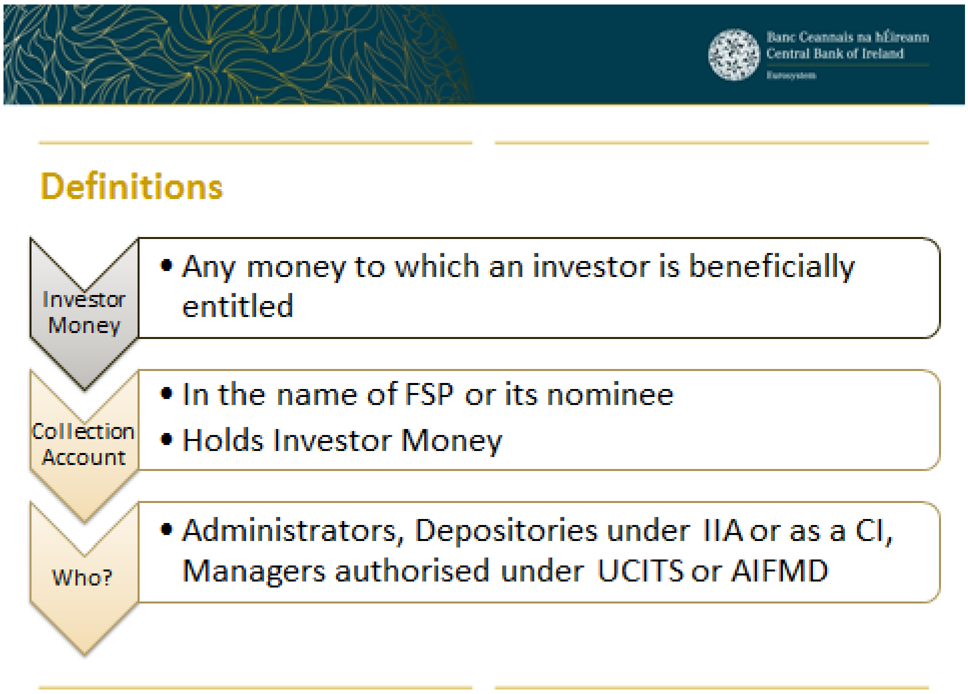
May 2015

Investor Money Regulations - Industry Presentation - 20 May 2015

Important Note: Information provided herein is provided as a discussion summary to accompany the slides circulated in relation to the above presentation. These notes should not be construed as legal advice or guidance related to, or a legal interpretation of, the Regulations. If there is any information herein that is inconsistent with the Regulations and/or the Guidance on Investor Money Regulations for Fund Service Providers ("Guidance"), the Investor Money Regulations and/or Guidance prevail. It is a matter for any FSP who may fall within the scope of the Regulations to seek legal advice regarding the application or otherwise of the Regulations to their particular set of circumstances.

These notes may not be construed so as to constrain the Central Bank from taking action, where it deems to be appropriate, in respect of any suspected prescribed contravention which comes to its attention.

Definitions



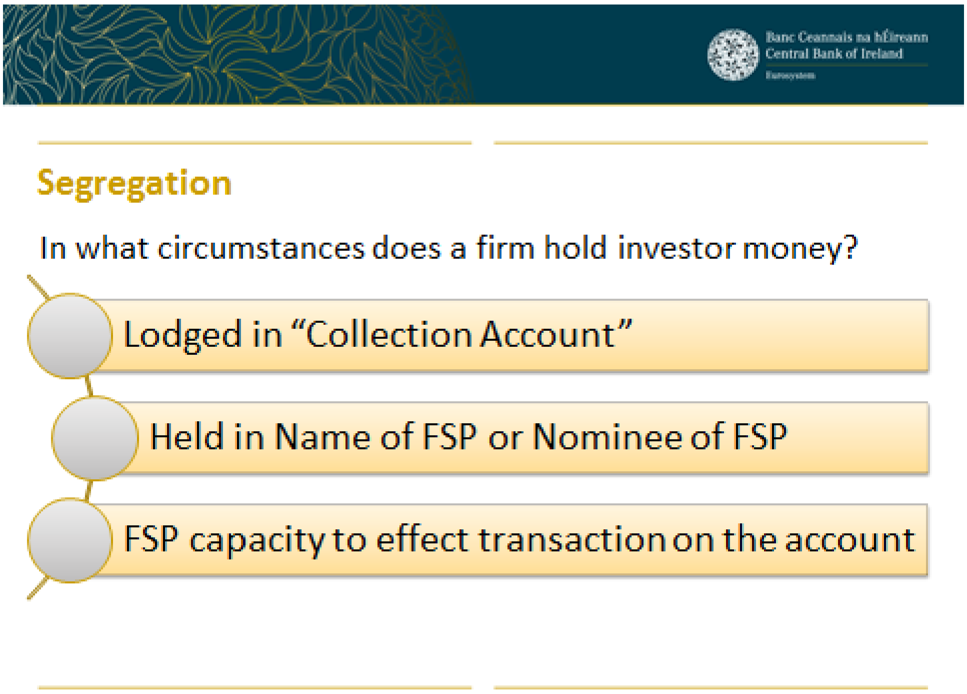
What is Investor Money? The term "investor money" means any money, to which an investor is beneficially entitled, received from or on behalf of an investor or held by the fund service provider on behalf of an investor.

What is a Collection Account? A "collection account" is a bank account, opened by a FSP, is in the name of the FSP or a nominee, and is used to hold investor money. In many ways, this will be the new name given to the current subscription & redemption accounts or TA accounts, which currently hold investor money.

Who do the Regulations apply to? The Regulations apply to Fund Service Providers ("FSPs") authorised either under the IIA or relevant credit institution legislation as administrators, or depositories. It may also apply to fund managers authorised under UCITS or AIFMD.

Ultimately, the Regulations apply to FSPs which hold investor money. If the subscription/redemption account is an asset of the Investment Fund, and subject to the control and oversight of the depository, the Regulations do not apply.

Segregation



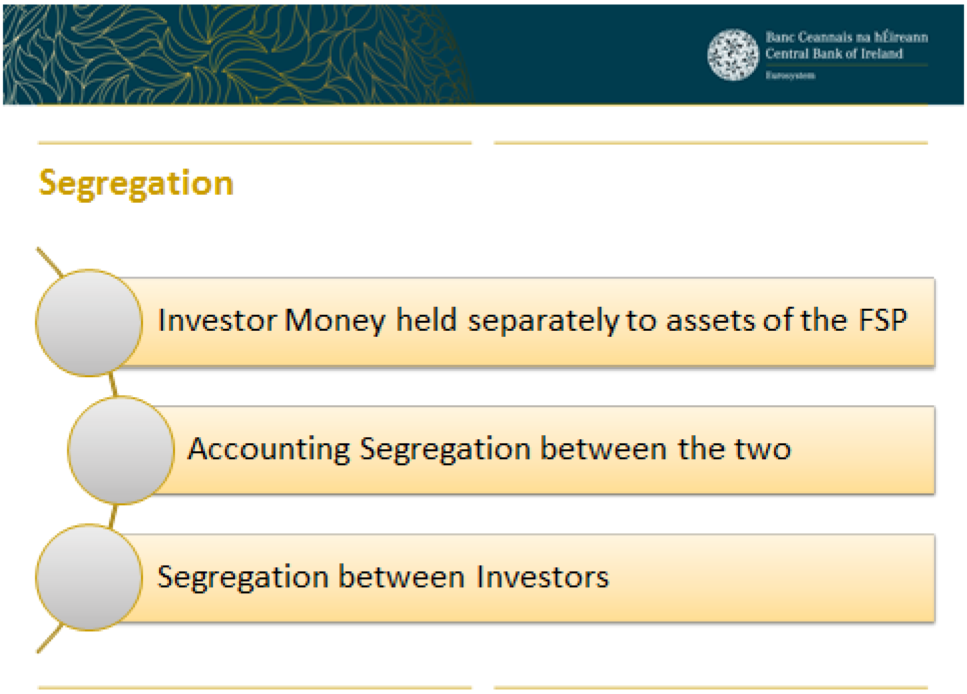
Under the principle of segregation, and the first regulation of the IMR states that an FSP is deemed to hold investor money where the money is:

1. Lodged into a collection account;
2. Held in the name of the FSP, or a nominee of the FSP; and
3. The FSP has the capacity to effect transactions on the account.

The key concept here is that an FSP holds and controls the investor money in the collection account while it is in transit either between the investor and the fund, or from the fund to the investor. For the avoidance of doubt, the IMR applies to investor money that is held by any nominee of the FSP.

The Central Bank also issued guidance which sets out circumstances where money should not be held in collection accounts if it is not considered investor money.

These Regulations apply to investor money in circumstances where the FSP considers the money in the collection account to be beneficially entitled to the investor. The position taken in the Guidance is based on legal advice received from the Irish Funds Industry Association. Based on this legal opinion, money received after 'dealing date' is beneficially entitled to the investment fund and not to the investor. As operational circumstances may vary, the Central Bank suggests that FSPs should obtain their own legal advice in relation to when it may be holding investor money.



Segregation

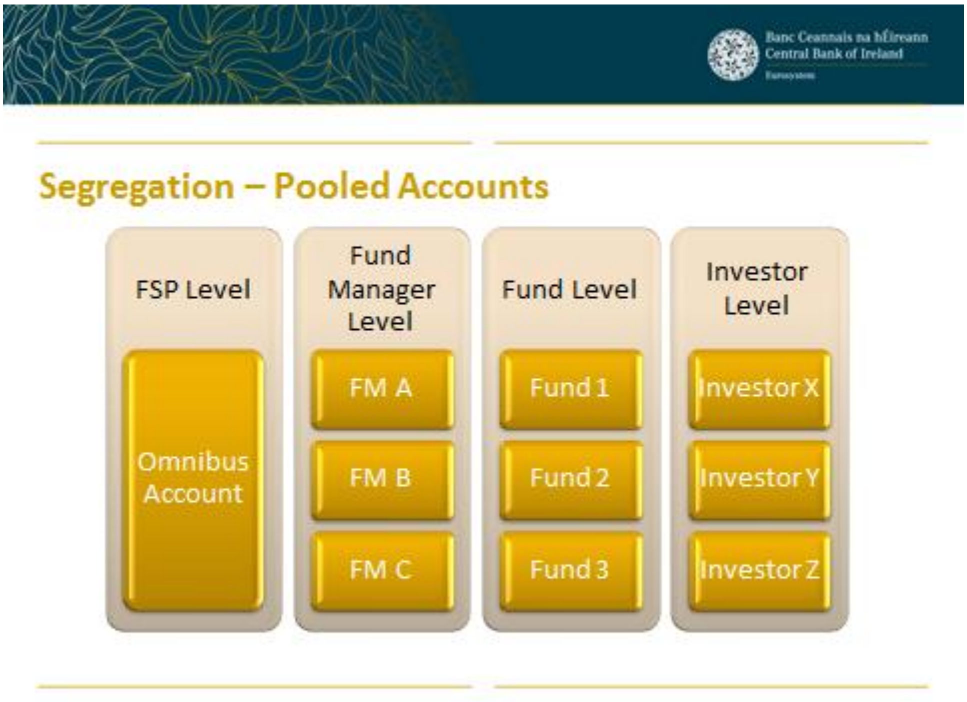
At a high level, the principle of segregation asserts that an FSP should hold investor money separate from non-investor money, and in particular, separate from the FSP's own money.

What is segregation? It is the core principle which is central to all other principles of IMR in ensuring the safeguarding and protection of investor money. Its objective is to facilitate, in the event of insolvency of an FSP, the swift and full return of investor money, which limits any detriment to investors. Critical to the success of the principle is that investor money is effectively segregated from assets of the FSP.

Within this context, FSPs must ensure that it maintains accounting segregation between the FSP's money and investor money. What does this mean in practice? An FSP must be able to account for all money received and clearly allocate ownership to individual investors. Robust systems and controls and reliable and accurate records are critical in this regard. As previously stated, in the event of insolvency, any ambiguity or uncertainty regarding the ownership of monies may cause severe investor detriment, both in terms of cost and time delays. Such an event has the potential to cause serious reputational damage to the Irish funds industry.
In summary, the principle contains three key elements:

- FSP assets should be held separate to investor money.
- Secondly, it should have accounting segregation for these assets/monies.

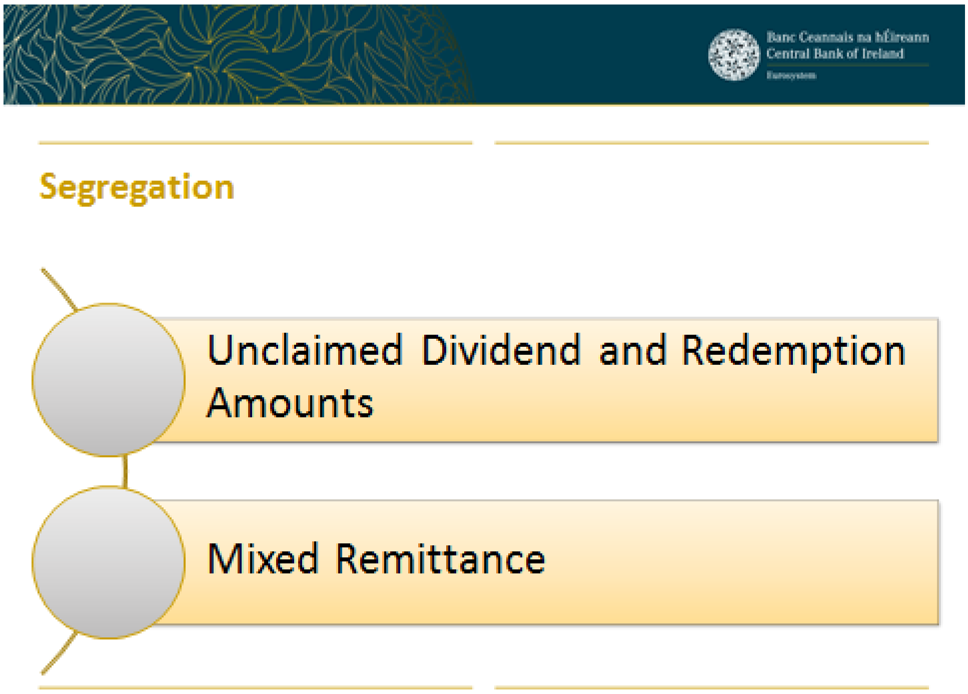
- And finally, segregation should also occur between investors, i.e., the concept that one investor's money should not be used to fund another investor's obligation. Investor money, held by FSPs, should only be held, and used, for that individual investor. This concept is an important element in the context of the Daily Calculation Principle.



<u>Pooled vs. segregated accounts</u>

As previously mentioned, segregation occurs both at FSP / investor money level, and also segregation between individual investors. However, at bank account level, there are no restrictions on FSPs holding investor money in pooled collection accounts. Collection accounts can be held in various forms and this may be dependent on the FSP's current model for operating these accounts. For example, collection accounts can be held at omnibus level (servicing all funds administered), at fund manager level, at fund level or even at investor level.

One critically important note to make is that, if an FSP are operating pooled collection accounts, the FSP must have robust and accurate records for these accounts, including having the ability to identify which investor each transaction relates to. Having adequate and effective control and oversight of the amounts in collection accounts is paramount to ensuring effective segregation.



Unclaimed amounts

This may include dividends or redemptions that the FSP has been unable to return to investors and this investor money may be held by an FSP for significant periods. Under the IMR, there are no restrictions on establishing separate collection accounts to hold unclaimed amounts, as long as the FSP implements equivalent protection over those accounts in accordance with the Regulations in the same manner as other collection accounts.

Mixed-remittance

This is the term used to describe scenarios where money is received into a collection account which may be a mix of investor money and non-investor money. This concept may be particularly relevant to FSPs where money is received from investors which may include amounts relating to commission or fees. In this event, when amounts of non-investor money are known, they must be removed from the collection account without delay.

Designation

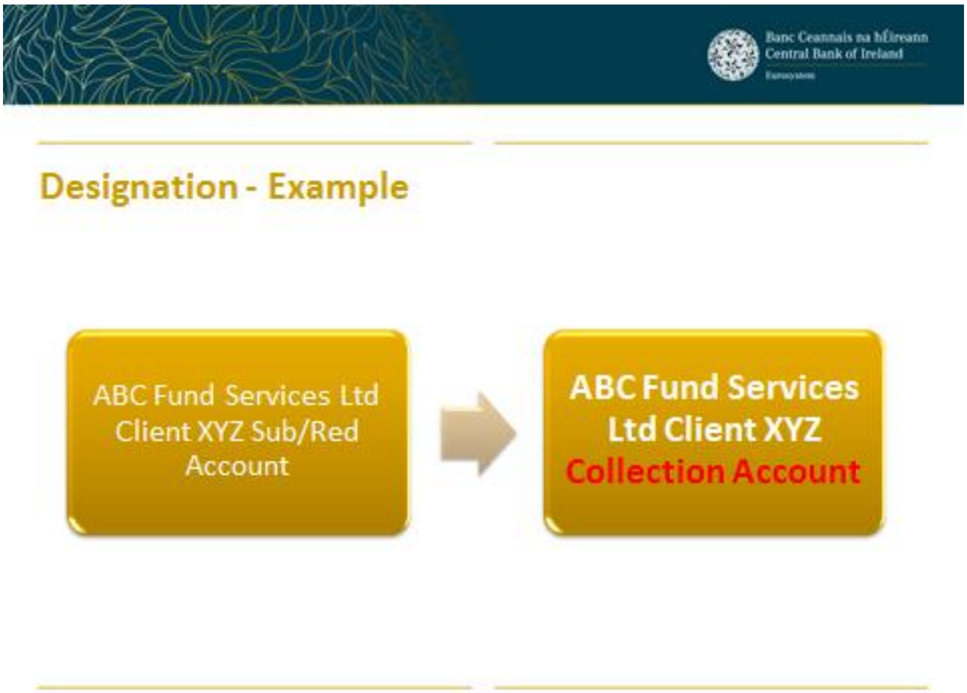
The high-level principle states that an FSP should ensure that investor money is clearly identified in its internal records and in the records of third parties.

So, what it is trying to achieve? The principle seeks to put in place protections with regard to collection accounts by ensuring that there is clear and defined ownership for monies held in those accounts. Furthermore, the principle establishes rules around how collection accounts should be designated. The principle also establishes an enhanced relationship between the FSP and the third party holding the collection account.

It is critical to the success of this principle that collection accounts are set-up in compliance with the IMR from their inception. If the collection accounts are not established correctly from the outset, it can undermine all other principles and can place the money in the affected accounts at risk.

<u>Account Titles</u>

The Regulations set out specific requirements for designating the account title name field. The FSP's internal record of its collection accounts <u>and</u> the external credit institution record must include the words 'collection account' in the account title. This should be completed at the account opening stage. There is also a requirement to carry out verification assessments to ensure accounts are correctly designated when collection accounts are opened by the third party. The principle relates to current and future collection accounts. All existing collection accounts must have their designation changed both internally and externally, to include the designation 'collection account' in advance of the implementation date.



To use an example, the existing designation or title for an account is:

- 'ABC Fund Services Ltd client XYZ Sub/Red account'

Under the IMR, the new designation for both internal and external records will be:

- ABC Fund Services Ltd Client XYZ Collection Account

Investor Money Facilities Letter

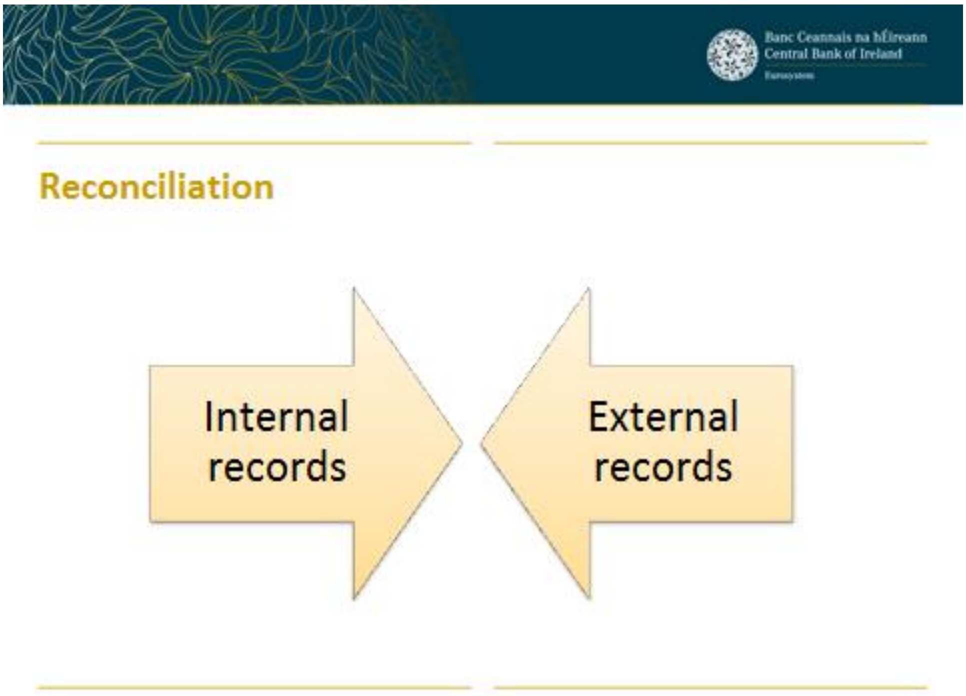
A core requirement within the principle of designation is the concept of the Investor Money Facilities Letter. This letter sets out an agreement between the FSP and the third party credit institution holding the collection account. Within the agreement, the parties acknowledge that the FSP is holding the money in the collection account in trust on behalf of investors. The letter is obtained in advance of opening a collection account with the third party for the first time. As such, it should be regarded as the master letter which forms part of the discussion at the beginning of a new relationship with a banking provider. Once the facilities letter is in place, the intention is that any subsequent collection accounts opened with that credit institution will be covered by the letter.

It is important to note that, in the context of implementing these Regulations, that Investor Money Facilities Letters will be required for existing banking relationships. The Central Bank is aware that particular credit institutions outside of Ireland and the UK may require significant time in order for them to review the requirements and be comfortable from a legal perspective before they agree to issue the letter. The Central Bank strongly urges FSPs to commence discussions with relevant banking providers as soon as possible. Delays can occur with providers which may result in the FSP being in breach of Regulations upon implementation if facilities letters are not in place.

Confirmations

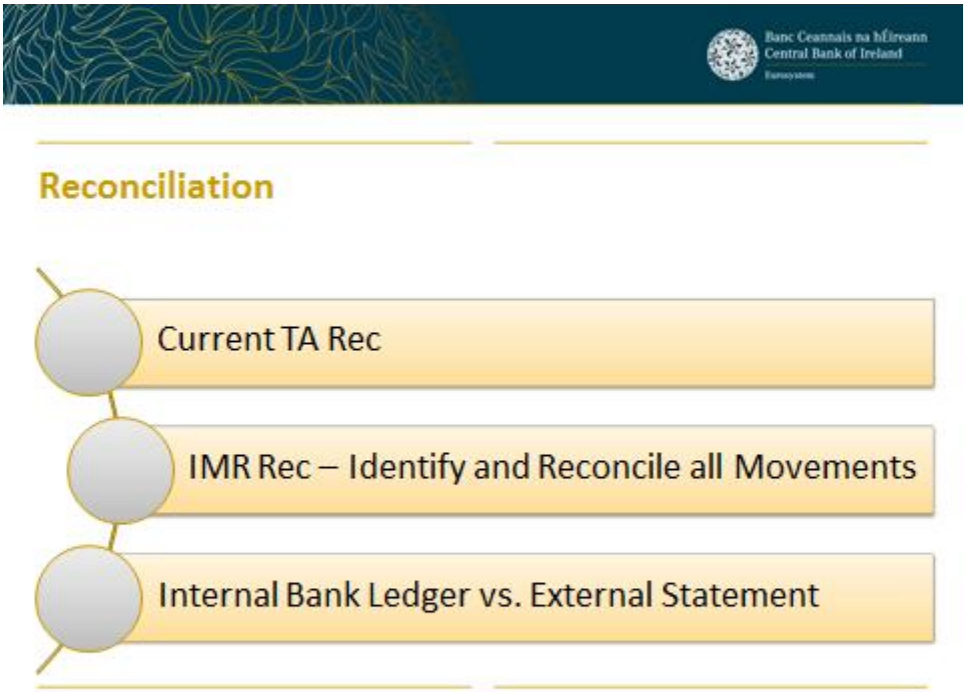
While Investor Money Facilities Letters are established at relationship level, a confirmation in writing is also required from the third party bank each time an individual collection account is opened. The Regulations outline what should be included and the confirmation must be received prior to or within 3 days of the initial lodgement into that collection account.

Reconciliation



High-level principle states that an FSP should conduct, on a daily basis, reconciliation between its internal records and those external records of any third party with whom investor money is held.

Why is it important? The reconciliation is a fundamental tool to critically analyse amounts and movements in collection accounts. It ensures FSPs are aware of and maintaining appropriate records of amounts being held in collection accounts. Importantly, if reconciliation was not to take place, it increases the risk that investor money may not be properly accounted for.



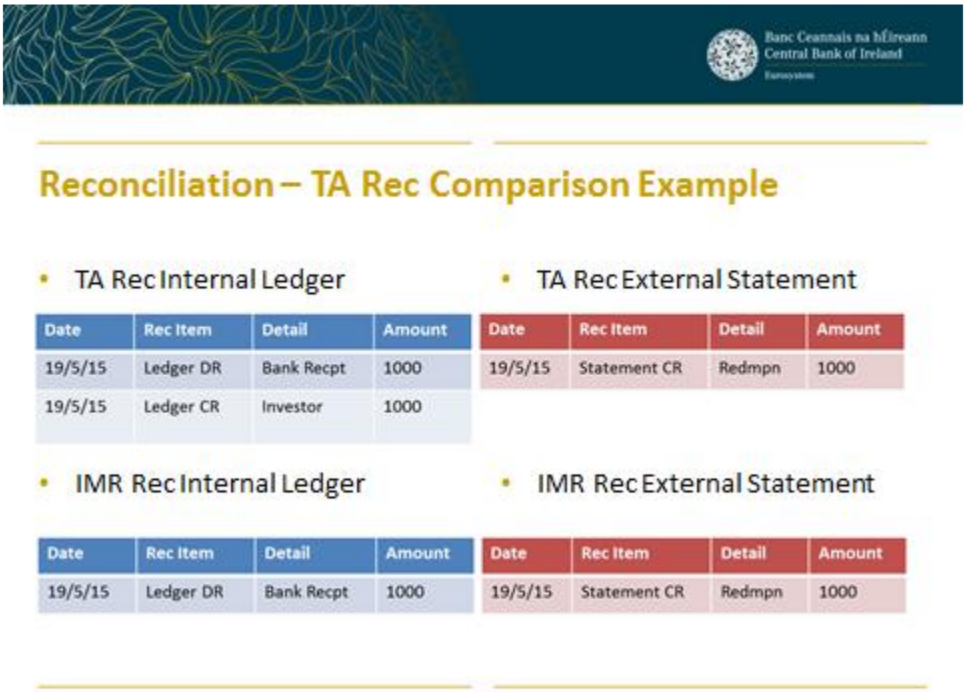
TA Reconciliation vs. IMR Reconciliation

Before describing the concept behind the IMR Reconciliation, it is important to highlight the difference between an IMR Reconciliation and existing Transfer Agency Reconciliations. It is recognised that reconciliations are currently being carried out by FSPs on these accounts. Although this process may not be completely standardised across the industry, we understand that the basic concept behind a TA Rec relates to the accounting for individual transactions either on the TA system or on the external statement and the subsequent matching of these items.

The collection account is flow-through account and therefore the TA process is designed with the objective of having a flat or zero balance on this account. The aim of the TA reconciliation is to ensure all items are identified, then matched and cleared in order to allow the account balance to go to zero. Any item which prevents the balance going to zero is considered a reconciliation item. Reconciliation items remain open until action is taken, resulting in the matching of transactions and thereby clearing them from the account.

The reconciliation as required under the Regulations is different; it seeks to account for balances held in collection accounts and allocate ownership. For the purposes of the IMR Reconciliation, FSPs will be required to compare and reconcile internal bank account records or ledgers against the third party statement records for every collection account. The aim of the

IMR rec is to identify and account for all movements on both the ledger and statement. This ensures accurate records are being maintained for all investor money being held by the FSP.



An example might better illustrate some of the concepts outlined above. The example first looks at the TA Rec, and then compares the output to an IMR Rec. In this example (see slide), redemption proceeds have been received from the investment fund and are held in the collection account. The proceeds are due to be remitted to the investor, however due to inaccurate or incomplete bank details for the investor, the amount has yet to be remitted.

TA Rec ledgers: On foot of the expected redemption settlement, the internal reconciliation system has created two corresponding entries on the ledger side – one debit for the amount received, and one credit for the proceeds which are expected to the remitted to the investor. The TA Rec aims to match these ledger items against corresponding statement entries. The reconciliation system also creates statement items from statement feeds received from third party credit institutions.

- In this case, only a statement credit is created for the amount of the receipt into the collection account from the investment fund.
- The ledger debit and statement credit will match off. This leaves the ledger credit unmatched.

For the purposes of the TA Rec, this item would be described as a reconciliation item; it is an item that requires the Transfer Agent to act in order to ensure the amount gets remitted to the investor in a timely manner, and therefore reducing the balance in the collection account. In simple terms, this open item on the TA rec is preventing the account balance from going to zero.

IMR Rec Ledgers: Let's take a look at what an IMR Rec looks like for this transaction. We have one item on the internal ledger, reflecting the amount being received into the account and allocated to the relevant investor. This will match with the corresponding statement side, reflecting the amount actually being received into the collection account.

So, how are the two reconciliations different? For the purposes of the IMR Rec, no reconciliation item results from the above example. In this scenario, the IMR Rec has identified that that statement amount has a corresponding internal record where ownership is allocated to the relevant investor, and the two sides match. In contrast, the TA Rec shows a reconciliation item as the un-paid redemption prevents the collection account balance from going to zero.

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Reconciliation – TA Rec Comparison Example

- TA Rec Internal Ledger

Date	Rec Item	Detail	Amount
19/5/15	Ledger DR	Bank Recpt	1000
19/5/15	Ledger CR	Investor	1000

- TA Rec External Statement

Date	Rec Item	Detail	Amount
19/5/15	Statement CR	Redmpn	1000
2/6/15	Statement DR	Remit	1000

- IMR Rec Internal Ledger

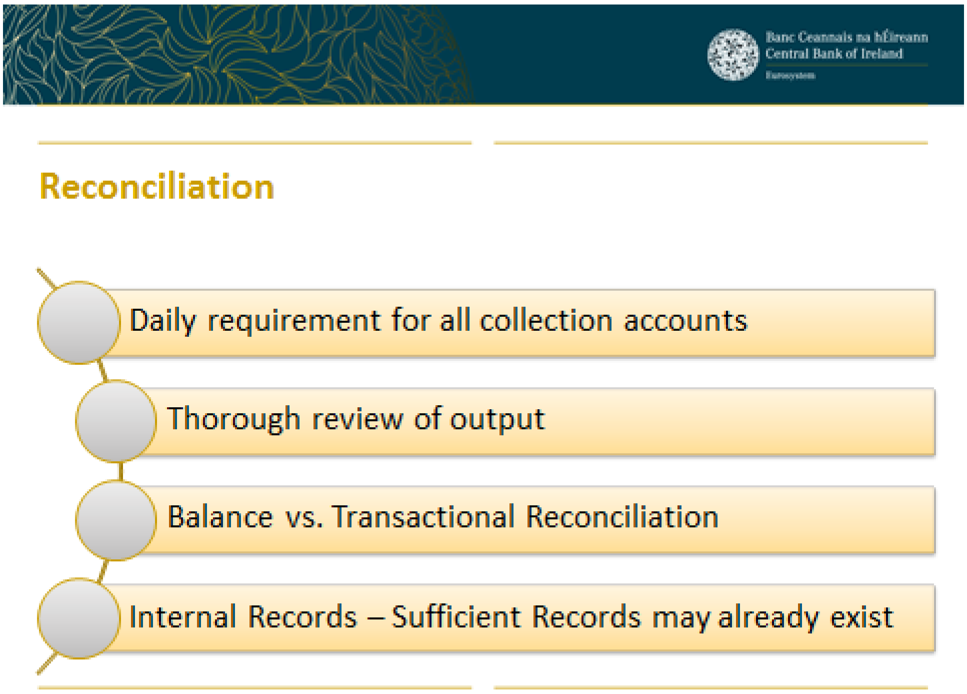
Date	Rec Item	Detail	Amount
19/5/15	Ledger DR	Bank Recpt	1000
2/6/15	Ledger CR	Investor	1000

- IMR Rec External Statement

Date	Rec Item	Detail	Amount
19/5/15	Statement CR	Redmpn	1000
2/6/15	Statement DR	Remit	1000

When the payment to the investor is finally made from the collection account, the outstanding TA Rec item will match against the statement entry and clear. The IMR Rec will also have two corresponding sides to match off and be reconciled.

It is important for FSPs to understand this critical difference between the purposes of the TA and IMR Rec before implementing any new process for reconciling collection accounts, from an IMR perspective.

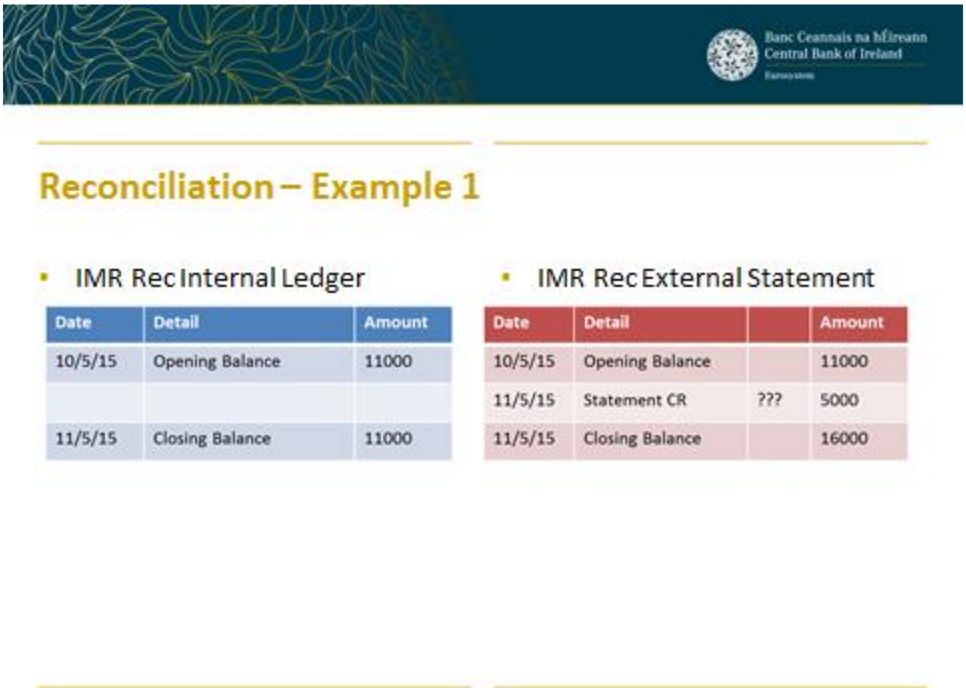


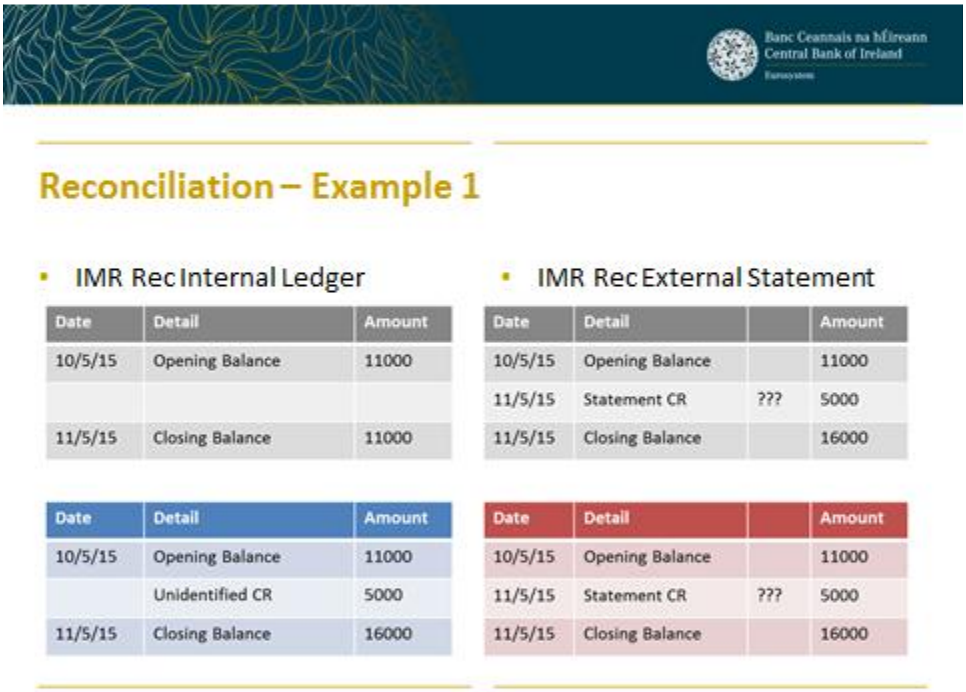
Reconciliation - Other Points

The IMR Reconciliation is a daily requirement for all collection accounts, regardless of the balance or activity on the account. FSPs should also ensure that the output from the IMR Reconciliation is subject to thorough review and oversight. The Regulations make reference to comparing balances between the internal and external records. This objective can also be achieved by comparing and reconciling on a transactional basis, i.e., each transaction on both the internal and external records are reconciled. FSPs should have robust and sufficient accounting records to ensure that all transactions are being captured in this context.

Internal Records

Typically, the Central Bank would expect to see internal bank account ledgers maintained for each collection account which would record the bank account movements. However, if FSPs can implement robust processes to interrogate existing system records to produce equivalent bank ledger information, then this may be an acceptable solution. The FSP would need to be satisfied that the information relied upon represents a complete and accurate record of the bank account balances and movements.





Reconciliation – Example 1

- IMR Rec Internal Ledger

Date	Detail	Amount
10/5/15	Opening Balance	11000
11/5/15	Closing Balance	11000

- IMR Rec External Statement

Date	Detail		Amount
10/5/15	Opening Balance		11000
11/5/15	Statement CR	???	5000
11/5/15	Closing Balance		16000

Date	Detail	Amount
10/5/15	Opening Balance	11000
	Unidentified CR	5000
11/5/15	Closing Balance	16000

Date	Detail		Amount
10/5/15	Opening Balance		11000
11/5/15	Statement CR	???	5000
11/5/15	Closing Balance		16000

Unidentified amounts

From time to time, we would expect that FSPs may receive into collection accounts amounts which they do not have sufficient details in order to determine who or what the money relates to. In these circumstances, the Central Bank expects FSPs to be prudent and to treat these amounts as investor money until the source is identified. These amounts must be captured in the Fund Service Provider's IMR reconciliation.

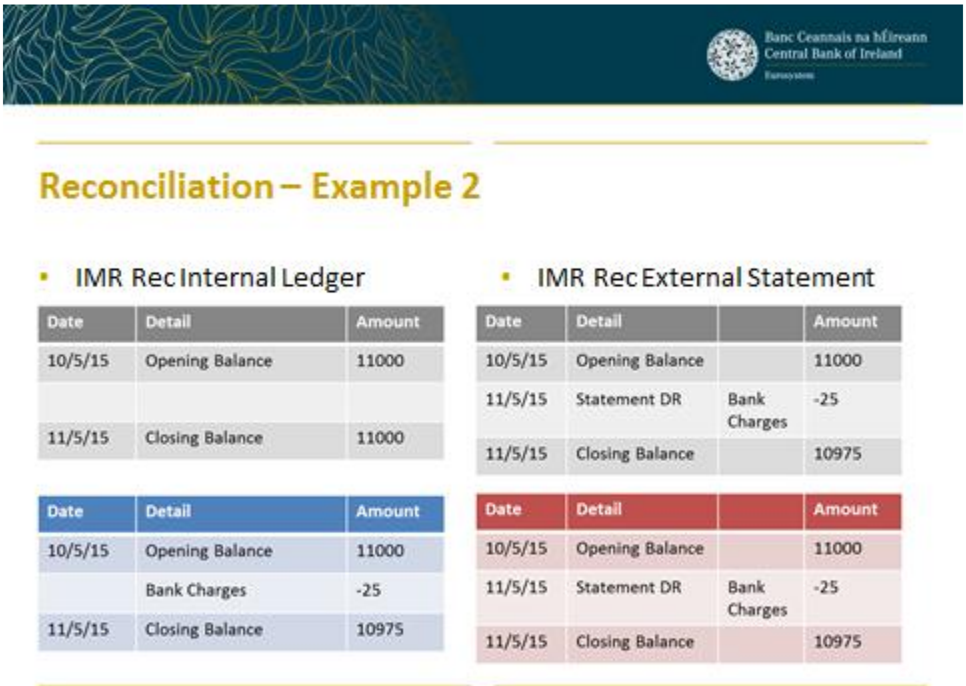
Reconciliation – Example 2

- IMR Rec Internal Ledger

Date	Detail	Amount
10/5/15	Opening Balance	11000
11/5/15	Closing Balance	11000

- IMR Rec External Statement

Date	Detail		Amount
10/5/15	Opening Balance		11000
11/5/15	Statement DR	Bank Charges	-25
11/5/15	Closing Balance		10975



Reconciliation – Example 2

- IMR Rec Internal Ledger

Date	Detail	Amount
10/5/15	Opening Balance	11000
11/5/15	Closing Balance	11000

Date	Detail	Amount
10/5/15	Opening Balance	11000
	Bank Charges	-25
11/5/15	Closing Balance	10975

- IMR Rec External Statement

Date	Detail		Amount
10/5/15	Opening Balance		11000
11/5/15	Statement DR	Bank Charges	-25
11/5/15	Closing Balance		10975

Date	Detail		Amount
10/5/15	Opening Balance		11000
11/5/15	Statement DR	Bank Charges	-25
11/5/15	Closing Balance		10975

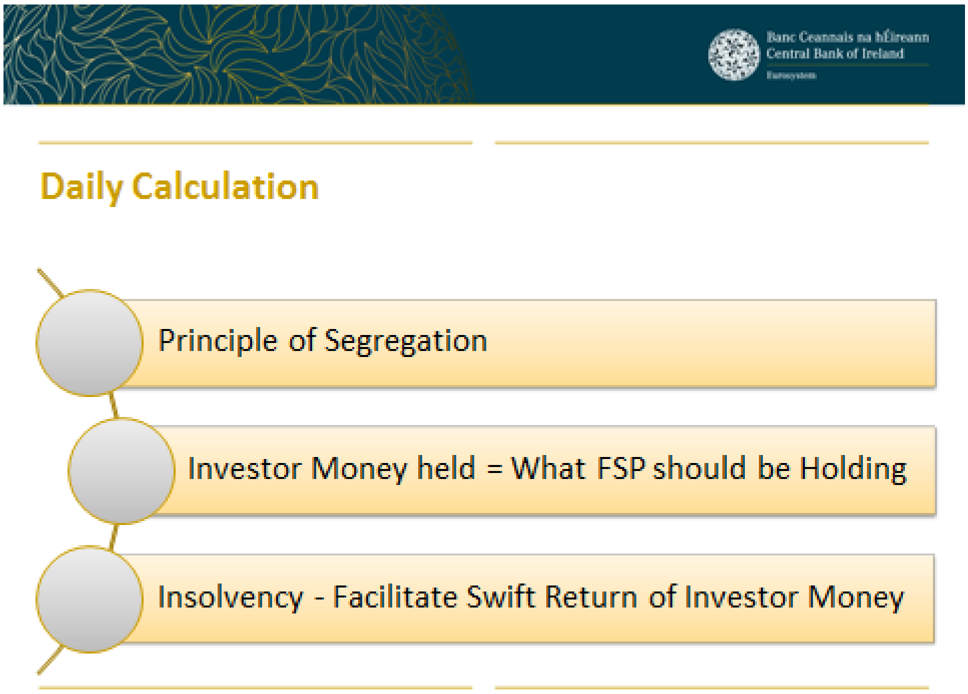
<u>Reporting Obligations</u>

There are reporting obligations on FSPs in relation to material matters arising from the reconciliation, as outlined in the regulations. These reportable matters include:

- Failure to conduct the reconciliation and
- Any material reconciliation differences.

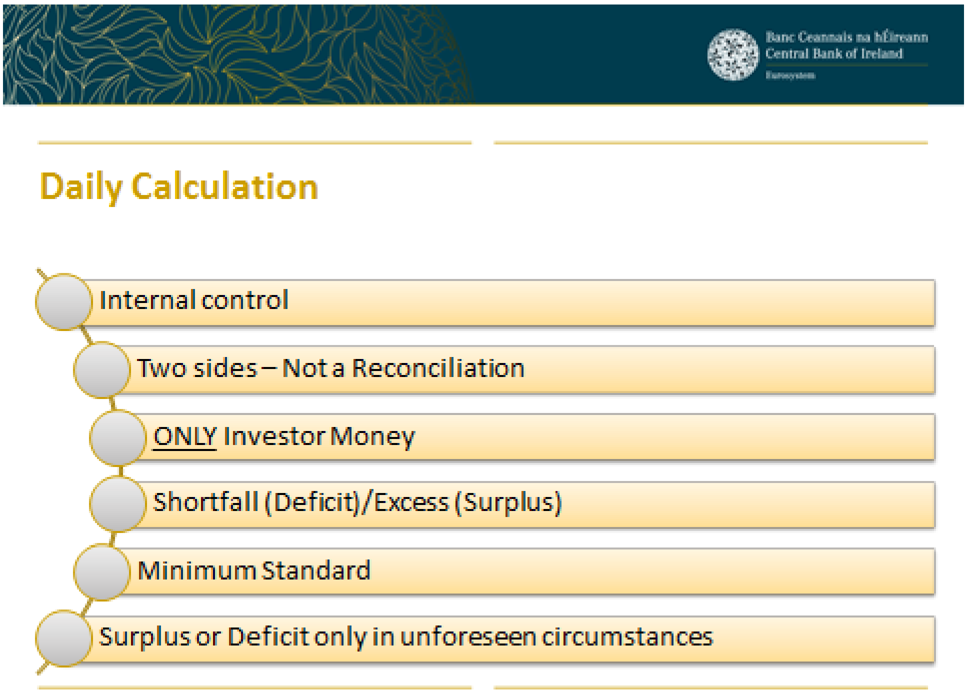
Guidance is provided in order for FSPs to determine what should be considered material.

Daily Calculation



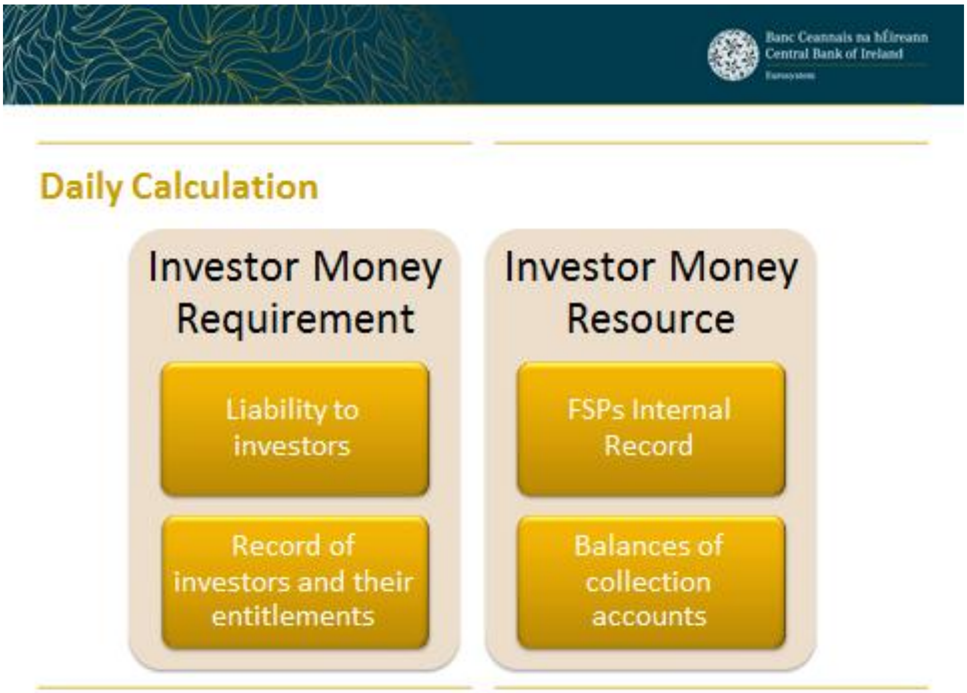
So what is the daily calculation? The daily calculation is best described as a formal mechanism completed daily to ensure collection accounts are holding sufficient funds to cover amounts owed to investors. The calculation can be considered a practical daily control which implements in practice the principle of segregation.

And why is the daily calculation important? It is a fundamental principle of investor money protection which ensures what should be held for investors is actually held in relevant collection accounts. As you aware, an important objective of introducing rules to protect investor money is to facilitate, in the event of insolvency, the swift return of investor money. The calculation output will be an important starting point for an insolvency practitioner if such a scenario was ever to occur. However unlikely a scenario you think this might be, you must remember that any investor protection rules are written from a worst case scenario perspective.



Key points

- It is an internal control based primarily on records maintained by the FSP. It must be completed daily with the output subject to thorough review.
- There are two sides to the calculation; however it is not reconciliation in that both sides are <u>not</u> required to be equal. The daily calculation and the reconciliation are two distinct requirements which serve different purposes
- To protect investor money in an insolvency scenario, only money for which an investor is beneficially entitled should be maintained in a collection account. Therefore any shortfall or deficit in investor money held must be funded by the FSP. Conversely, any excess or surplus amounts must be removed from the FSP's collection accounts
- The daily calculation is a minimum standard that must be applied. It is expected that FSPs will have processes to monitor account transactions on a real time basis and remove non-investor money where identified. The intention is that a surplus or deficit should only arise due to unexpected or unforeseen circumstances.

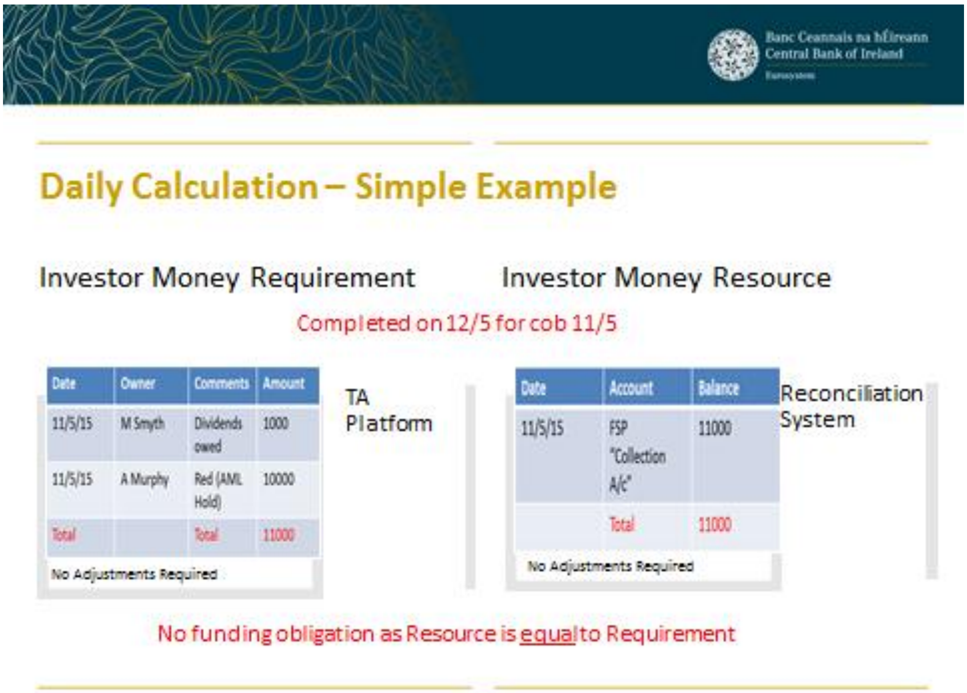


Investor Money Requirement and Investor Money Resource

Both the investor money requirement and investor money resource should be based on data as at close of business the previous working day:

The first side of the calculation is the investor money requirement. This is the liability to investors or the sum total of amounts for which investors have beneficial entitlement. An important aspect of the calculation is that the FSP is capable of re-producing a list of investors and their beneficial entitlements that makes up the investor money requirement for any particular day.

The second side of the calculation is the investor money resource. This is the FSP's internal record of what is actually being held in collection accounts. The FSP should be capable of re-producing records which record balances and transactions on collection accounts. Generally the investor money resource is an aggregate calculation of balances on all collection accounts; in particular circumstances, depending on its business model, an FSP may elect to conduct separate calculations for different tranches of business which are operated independently.



Adjustments

When completing the calculation, a number of adjustments may be required to either side of the calculation. This is reflected in the Regulations which include reference to making adjustments to account for reconciliation items. Generally, an adjustment is required when an amount is incorrectly included or excluded from one side of the calculation.

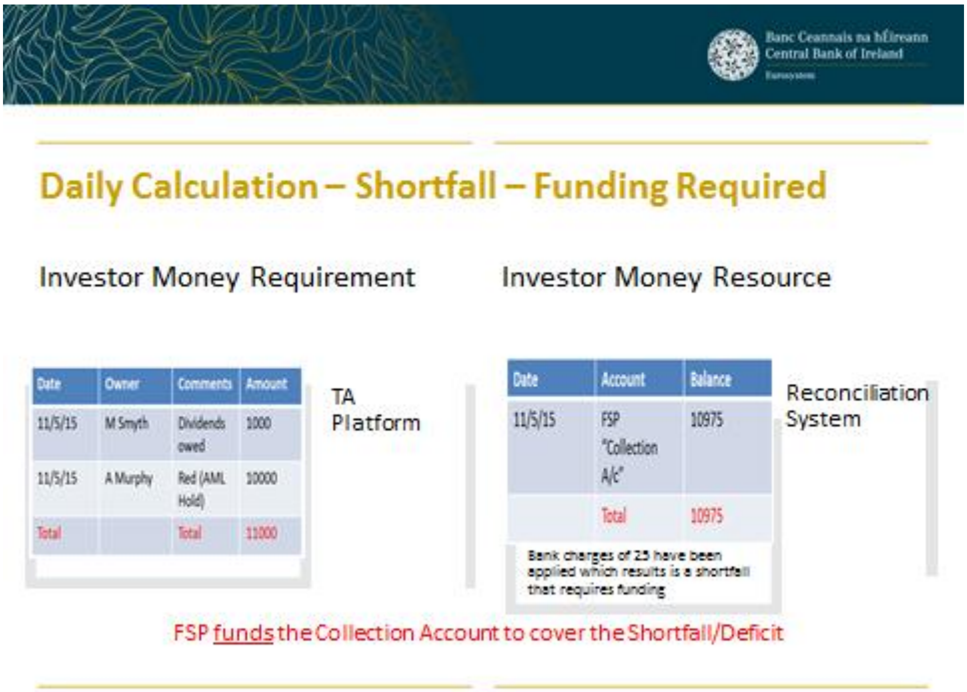
Let's take the example where an expected dividend payment from a fund is not received and therefore, correctly, does not form part of the investor money resource. However, what if this amount does form part of the investor money requirement, possibly because of the way the TA platform works? If the dividend proceeds have not been received, then the amount is incorrectly being included in the investor money requirement. To prevent the requirement being overstated, an adjustment may be necessary in order to remove this amount from the investor money requirement.

While valid adjustments can be made, it is important to note that processes and controls in place should be designed to minimise the need to make adjustments. Adjustments will likely require manual intervention; therefore tight controls are needed in relation to making and approving adjustments

<u>So where is this information derived from?</u>

It is expected that the FSP will readily have access to data which makes up the investor money requirement by querying data from its TA system. An FSP should be mindful that it must be capable of re-producing a list of investors and respective balances in relation to each calculation completed.

With regard to the investor money resource, typically we would expect to see internal bank account ledgers maintained for each collection account which would record bank account movements. However, if an FSP can implement robust processes to interrogate existing system records to produce equivalent ledger information, then this may be an acceptable solution.

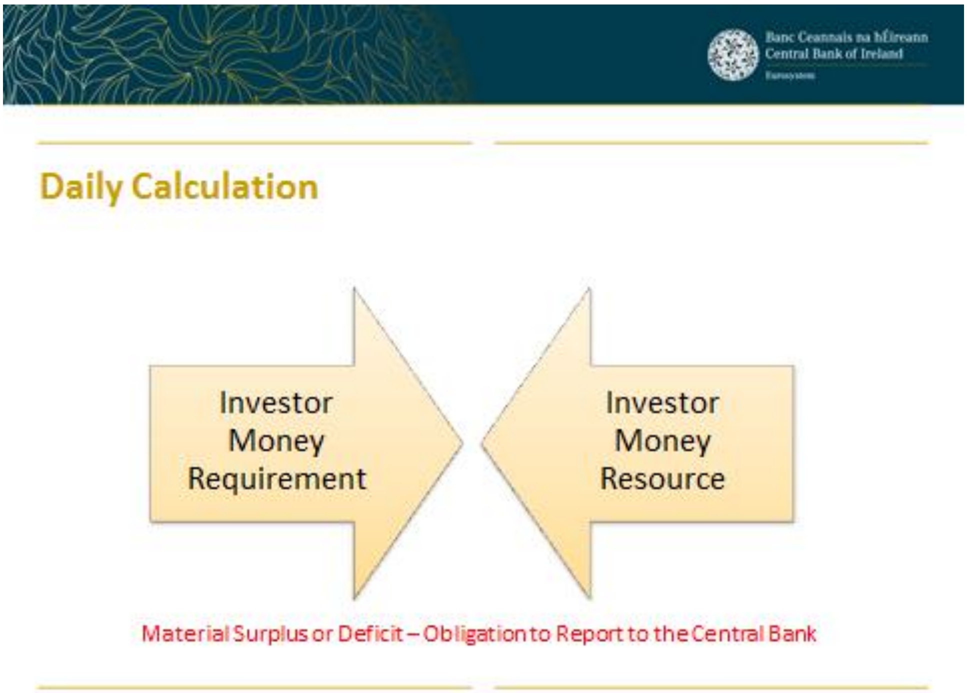


<u>What happens next?</u>

Once the calculation is complete (on an aggregate basis or for independent tranches), the FSP must do one of <u>three</u> things:

- If the requirement is <u>equal</u> to the resource then no action is required
- If a <u>surplus</u> exists in that the resource <u>exceeds</u> the requirement, the FSP must effect a transaction to remove this excess money from its collection accounts
- If a <u>deficit</u> exists in that the requirement <u>exceeds</u> the resource, the FSP must effect a transaction to transfer money into its collection accounts

Any transfer required must be effected by the FSP by close of business on the day the calculation is completed



Reporting to the Central Bank

As set out earlier, the firm's processes should be developed with the objective of minimising the extent to which a surplus or deficit can arise. Therefore, in the ordinary course of business, if these processes are effective significant surpluses or deficits should not arise.

FSPs will need to consider what would be a material surplus or deficit based on normal operating parameters and will only be required to report if the surplus or deficit is considered material.

It is important to note that such situations may occur routinely and have perfectly reasonable explanations but, nonetheless, should be reported to the Central Bank. Under the Regulations, the FSP has an obligation to report; it is only the failure to report that may be considered a breach.

Risk Management

This Risk Management principle is central to the governance around how investor assets are protected and how an FSP implements clear and effective accountability for ensuring obligations are identified and met. The principle reflects international best practice in strengthening the governance and risk management arrangements pertaining to investor asset protection. The principle contains two main elements – an obligation to appoint a Pre-Approved Control Function (PCF) with responsibility for Investor Money and an obligation to develop and maintain an Investor Money Management Plan (IMMP).

Head of Investor Money Oversight

Each FSP holding investor money must appoint a PCF. This PCF will be titled the Head of Investor Money Oversight. The responsibilities of the PCF are outlined in the Regulations and ensure a single individual in the FSP retains overall ownership for the FSP's investor money obligations.

a) It is expected that a director or a member of the senior management team in larger entities will hold this role. A couple of things to consider in identifying a suitable candidate:

(i) The PCF should have oversight of relevant operational areas but be sufficiently removed from the day to day processes; and

(ii) The FSP should be satisfied that the individual is free from any conflicts of interest in performing the role.

b) As a guide, in a smaller administrator the Director of Operations might be appointed to the role assuming sufficient capacity to take on the responsibilities. In a larger administrator, the Head of TA might be appropriate if the majority of the relevant operational responsibilities fall within his/her remit. Depending on the scale of the role, the PCF may require direct staff to support delivery of his/her responsibilities.

c) PCF-46 is already active for accepting application submissions through the Central Bank's normal Fitness & Probity processing arrangements. To prevent a backlog of last minute applications, relevant FSPs should consider submitting applications at an early stage to allow adequate time for processing.

d) I want to touch briefly on the delegating model, which is common in the Funds industry, and the practical implications for the Regulations. It will be important to establish which entity legally owns and has ultimate control over the collection account. While every case should be considered on its own merit, we understand that in the majority of cases, the responsible party would be the administrator who must comply with the Regulations. Where other models are operated, relevant entities will need to consider which party has ultimate responsibility; the FSP entities will need to determine what obligations under the Regulations can be delegated and what can be retained.

Investor Money Management Plan

A key responsibility of the Investor Money PCF will be to develop and maintain the Investor Money Management Plan. This is a critical document in the context of the governance and risk management in relation to the FSP's investor money obligations. The Central Bank will not be issuing a pro-forma template as this document should be owned by the FSP and tailored to the FSP's business model and complexity. The Guidance document published by the Central Bank includes guidance on what should be included in the IMMP where relevant.

a) The FSP will have an additional three months after the 1 April 2016 implementation deadline to finalise and sign off its IMMP.

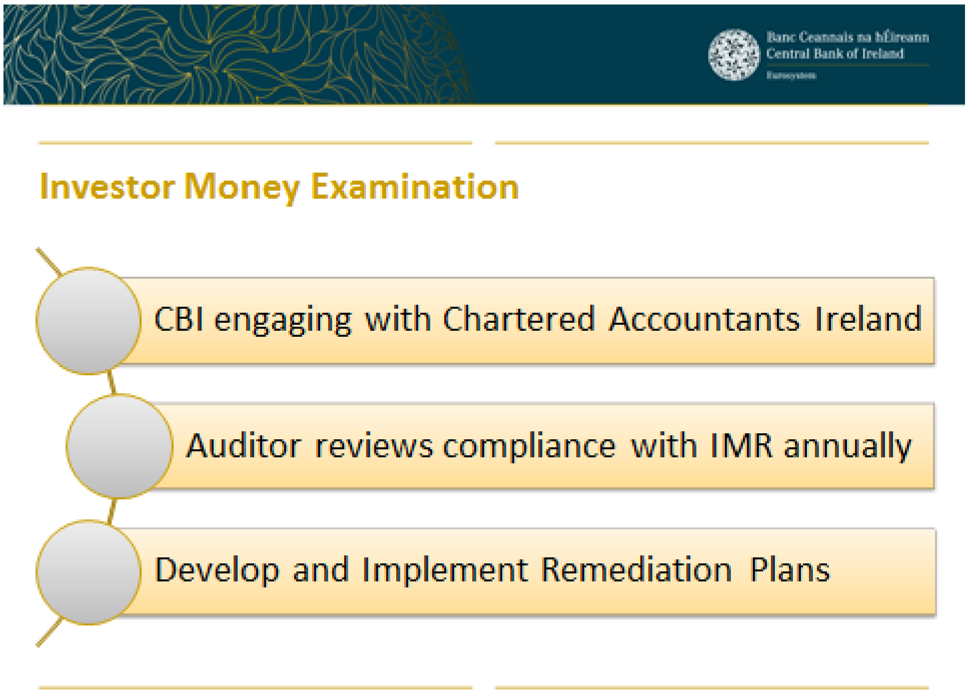
b) The IMMP must be approved by the Board thus providing the Board with information on the FSP's investor money obligations, the risks to investor money arising from the FSP's business model and a detailed description of how these risks are mitigated. This ensures the Board are fully aware and accountable for the firm's responsibilities under the Regulations.

c) The IMMP guidance refers to documenting the FSP's materiality thresholds and triggers, which should be both quantitative and qualitative. This is also relevant in context of reporting obligations of the FSP in relation material reconciliation items or material funding transfers. The FSP should carefully consider how materiality is determined, document this judgement in its IMMP and outline how materiality will be measured and monitored. The FSP shouldn't be afraid to re-calibrate its materiality measures if appropriate but such changes should be documented in the IMMP and approved by the Board.

d) An important objective of the IMMP is to document where relevant information can be found if an insolvency event were to occur. While the tendency can be to focus on the business from a going concern perspective, as outlined earlier, it is important that worst case scenarios are considered by FSPs in the context of investor money. The purpose of this requirement is for an FSP to consider what information would an insolvency practitioner need if the FSP were to become insolvent in order to quickly account for all investor money held and arrange for the swift return or onward transmission of such amounts.

With regard to IMMPs, the Central Bank will make use of thematic reviews post July 2016 to assess the standard of IMMPs and emerging practices in this regard. Industry feedback will be considered in order to communicate good and bad practices and help assist industry in raising standards in relation to the quality of IMMPs.

Investor Money Examination



The final principle is known as the Investor Money Examination and relates to a firm of auditors undertaking an annual review of the FSP's arrangements to comply with the Regulations. Holding investor money increases risk to which investors are exposed and it is therefore important that the Central Bank obtains independent assurance in relation to the adequacy of arrangements to safeguard investor money. The review would generally be completed in line with the year end audit and can be completed by your financial statement auditors. This can allow for certain synergies particularly where assurance in relation to systems is being relied upon. Some points to note:

- Chartered Accountants Ireland intends to develop a technical guidance note for auditors in relation to completing this engagement. The Central Bank will be engaging with Chartered Accountants Ireland during this process. The technical guidance note will assist auditors in identifying what procedures should be completed in order to provide the necessary opinion on the arrangements.

- The review to be completed by auditors must be completed at least annually and will consider the adequacy of control arrangements <u>and</u> compliance with the Regulations. Guidance published by the Central Bank has suggested the auditor should provide a reasonable assurance opinion on these matters. The auditor will also consider the content of the IMMP and changes that have made to this document since the previous audit; Central Bank guidance has suggested the auditor should provide a limited assurance opinion on these matters.

- It is important that any findings are reviewed by the FSP and a remediation plan developed without delay. An FSP should outline to the Central Bank what steps it has or will take to address findings identified by the review. The PCF will be responsible for arranging the annual audit and ensuring actions are taken to address material deficiencies. The PCF is responsible for submitting the assurance report to the Central Bank and for ensuring that relevant issues highlighted by the audit are reported to the board of the FSP.

- Where a firm has permission but elects not to hold investor money during a particular audit period, the auditor will be still required to submit a report to the Central Bank. The auditor will perform procedures in order to obtain comfort that the FSP did not hold investor money during the period.

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