

Consultation on Corporate Governance  
Requirements for Investment Firms (CP94)  
Risk, Governance, Accounting and Auditing Policy Division  
Central Bank of Ireland  
Dublin 2



**Irish  
Association  
of Investment  
Managers**

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Dublin 2  
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4 August 2015

Dear Sir/Madam,

**Re: Irish Association of Investment Managers ("IAIM")  
Response to CP94**

The IAIM welcomes the opportunity to respond to this consultation paper on the proposed statutory corporate governance requirements for investment firms.

The Association supports the proposed requirements and regards them as being substantially consistent with industry best practice.

Our Principal observations are as follows:-

**1. Principle of Proportionality**

The proposed requirements are consistent with the requirements imposed upon Credit Institutions and Insurance Undertakings.

The risk profiles of investment firms differ significantly from those of credit and insurance undertakings and, accordingly, the notion of proportionality will also be different. The different characteristics of investment firms are most notably identified in CRD IV where dealing on own account, underwriting on a firm commitment basis and the holding of client assets are specifically identified as risk markers.

Undoubtedly PRISM has regard to these factors however it is possible that some investment firms, coming within scope, which do not deal on own account, hold client assets or underwrite may be designated at the same impact level as firms which do engage in some, or all of these activities.

We would hope that the Bank would recognise the proportionality different governance implications which would apply in such circumstances.

It may be appropriate to recognise this proportionate approach by adding to the proposed section 5.4 a specific reference to dealing on own account, the holding of client assets and underwriting on a firm commitment basis.

**Directors:**

F. Pietribiasi (Chairman), P. Burke (Vice Chairman), P. Wood, S. Hawkshaw,  
R. Richardson, J. Richards, K. Dempsey, D. Warren, B. Hall, A. Kerr

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**2. Composition of the Board**

Section 5.5 imposes a general requirement that no one individual have unfettered powers of decision in relation to the business of the firm. It is also proposed at Appendix 1 (6.1) that High and Medium impact firms "shall comprise sufficient representation by executive directors that it is not dominated by one individual executive".

IAIM supports the objective of ensuring that one individual does not dominate the conduct of a firm's business. However we do not believe that the appointment of additional executive directors, with a consequential need for additional non-executive directors, is the only way in which this can be achieved. We strongly believe that some, or all, of the following governance structures can achieve the desired outcome;

- (a) Whether, by policy, relevant executives [for example the Chief Investment Officer, Chief Financial Officer, Chief Risk Officer and Head of Compliance] attend Board meetings and can be directly challenged by non-executive directors.
- (b) In the case of companies which are subsidiaries of groups whether the individual to whom the Chief Executive directly reports is a non-executive director.
- (c) The nature and extent of matters directly reserved to the Board and committees of the Board.
- (d) The overall composition of the Board.

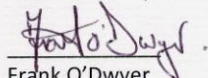
We believe it would be helpful if the final version of the requirements reflect (particularly in Appendix 1) these or other factors which the Bank consider appropriate to mitigate the risk of excessive influence.

**3. Group Committees**

We are conscious that the definition of "Group Director" (and by extension the definition of Group Company) addresses the, often, complex legal structures surrounding the ownership of investment firms through the use of the term "direct or indirect" in the definition. We consider that it would be helpful to include a reference at the end of the definition noting the need for Group Committees to have "regard to the operational reporting structures between the firm and its ultimate parent".

The Association is available to discuss our comments at any time.

Yours faithfully,



Frank O'Dwyer  
Chief Executive

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