



Chief Executive Officer / Branch Manager

11 May 2026

Re: Thematic Review on Depositaries' obligations to undertake a risk assessment of the Fund and Fund Management Company (FMC)¹ at appointment and on an ongoing basis

Dear Sir / Madam,

The Central Bank of Ireland (Central Bank) has adopted a sectoral approach to regulation and supervision, prioritising those sectors, firms and issues that present the greatest risks to our safeguarding outcomes. Sectoral supervision is delivered through thematic reviews, onsite inspections, risk assessments, engagement meetings with key individuals etc. These assessments are undertaken in accordance with the Central Bank's monitoring and oversight functions under relevant legislation, including the Central Bank Act 1942.

Thematic Review Overview

Aligned with this approach, the Central Bank recently conducted a Thematic Review to assess how Depositaries applied the relevant UCITS² and AIFMD³ requirements to assess the risks associated with the nature, scale and complexity of a fund's investment objective and strategy, and the organisation of a FMC, both at onboarding and on an ongoing basis. It also included assessing how any actual or potential conflicts of

¹ For the purpose of this review the term FMC captures both UCITS Fund Management Companies and Alternative Investment Fund Managers.

² Article 3(1) of Commission Delegated Regulation 2016/438/EU

³ Article 92(1) of Commission Delegated Regulation (EU) No 231/2013

interest with the fund, FMC, and any relevant delegate, are identified and managed at onboarding and on an ongoing basis to ensure Depositary independence is preserved.

In particular, the Thematic Review focused on the below three areas:

- 1) Client Acceptance and Onboarding;
- 2) Due Diligence Processes; and
- 3) Depositary Independence / Conflicts of Interest (COI) Management.

The Depositary has a fiduciary duty to investors to undertake independent monitoring of the fund(s) in line with its regulatory obligations. The due diligence and risk assessment conducted at onboarding, and refreshed on an ongoing basis, is fundamental to enable the Depositary to devise effective oversight procedures that are appropriate for the fund(s) in question. A lack of understanding by the Depositary of the risks associated with the fund model and the organisation of the FMC can lead to:

- Taking on business that the depositary may not be equipped to take on in terms of expertise, capacity, experience, processes and independence; and
- Devising ineffective oversight procedures to independently monitor the fund on an ongoing basis.

This can result in negative investor outcomes, including but not limited to:

- Inadequate valuation oversight; and
- Missed investment and borrowing restriction breaches.

The Depositary's ability to remain independent and objective is also key in ensuring effective monitoring, hence the importance of being able to effectively identify and manage any conflicts of interest that may arise between the Depositary and the fund, FMC or relevant delegate.

The Thematic Review identified that some deficiencies exist in the controls established by Depositaries to effectively undertake risk assessments and to effectively identify conflicts of interest that may exist. Taking this into account, Appendix 1 sets out some

general good practices observed during the Thematic Review to assist Depositaries to develop consistent practices across the sector. These good practices should be considered in the context of your entity, and any potential enhancements that should be made to improve your ability to manage risks.

These examples of good practices are not exhaustive, and Depositaries should, at all times, be evaluating their own risks. This letter is required to be brought to the attention of the Board / Management body of your entity.

Yours sincerely,



Sean Fitzpatrick
Head of Function Firm and Sectoral Supervision
Funds Supervision Division

Appendix 1: Observed Good Practice

The table below sets out some of the good practices the Central Bank has observed of a Depositary in the establishment and maintenance of a robust assessment at onboarding and on an ongoing basis. The good practices set out in this appendix are grounded in and consistent with the relevant regulatory requirements. The following is not an exhaustive list of good practices.

Please note our expectations do not replace or override any legal, regulatory or supervisory requirements applicable to Depositaries and it is a matter for Depositaries to seek their own legal advice if they are unsure regarding their own obligations.

1. Client Acceptance and Onboarding		
No	Practice Area	Good Practice
1	Risk Assessment Process	There is a documented risk assessment methodology in place at onboarding that considers both the specific characteristics of the fund and the organisation of the FMC to enable the depositary to devise oversight procedures that are appropriate for the fund(s). There is clear guidance on how relevant risk ratings are applied based on the assessment conducted. Non-standard fund features (e.g. complex investment restrictions) are considered as part of the risk assessment.
2	Devising Oversight Procedures	Oversight procedures are tailored and updated based on the outcome of the risk assessment conducted, recognising that a one-size-fits-all approach to oversight is not appropriate for all funds and FMCs.
3	Client Acceptance and Approval	There is a documented client acceptance and approval process in place. The depositary is involved at an early stage of the client acceptance process, particularly where depositary services are onboarded alongside fund administration services provided by another entity within the same group.

1. Client Acceptance and Onboarding		
No	Practice Area	Good Practice
		There is a clear link between the depositary's risk appetite (in terms of business it is willing and capable of accepting) and the outcome of the depositary risk assessment performed, ensuring that only business aligned with the depositary's risk profile is accepted. The client acceptance process allows the depositary to refuse new business if it falls outside the depositary's risk appetite, even where fund administration services provided by another entity within the group have been accepted. All refusals are tracked and reported internally to senior management.
4	Board / Committee Challenge	The role of the Board or relevant Committee(s) in the approval process is clearly documented. There is clear evidence of discussion of new business opportunities and any associated risks at the relevant Board or Committee meetings.
5	Depositary Agreements	The process for establishing depositary agreements is documented and clearly outlines the required stage at which the agreement must be signed—specifically, after the depositary has concluded its risk assessment process. The process defines roles and responsibilities for review and final sign-off.
6	Business-as-Usual Handover	Following client acceptance and approval, a documented business-as-usual (BAU) handover process is in place to ensure the required oversight procedures and systems have been updated and are operational ahead of fund launch. This process is subject to a four-eye review. Checks are automated where possible.
7	Information Flows	Roles and responsibilities for information flows, including escalation protocols, are clearly documented in an operating memorandum or service level agreement (SLA) between the depositary and the FMC. The depositary ensures it has access to all information required to effectively undertake its oversight role.
8	Role of Second Line of Defence (2LOD)	Depositaries establish processes whereby there is formal input and challenge by local 2LOD on new business opportunities, and any associated risks, as part of the client approval and acceptance process.
9	Second and Third Line of Defence Ongoing Reviews	Elements of the depositary client onboarding process, due diligence process, and conflicts of interest controls are subject to periodic internal audit and compliance monitoring reviews.

2. Due Diligence		
No	Practice Area	Good Practice
1	Ongoing Risk Assessment	The risk assessment conducted on the FMC and fund at onboarding is subject to regular review and refresh, with frequency determined by the nature, scale and complexity of the fund and the organisation of the FMC. This ensures that oversight procedures remain appropriate. The refresh draws on: (i) outputs from periodic due diligence reviews of the FMC and relevant delegates; and (ii) BAU issues and concerns arising from day-to-day oversight (e.g. trends in breaches or errors). Any changes to risk ratings are documented and reported to senior management, and oversight procedures are updated as necessary.
2	Due Diligence Process	The process for undertaking initial and ongoing due diligence of the FMC is documented in a procedure that clearly sets out: roles and responsibilities; review schedules and timeframes; the approach to onsite versus desk-based reviews (including circumstances where an onsite review may be required); follow-up procedures; and reporting of outcomes. All due diligence reviews are subject to a four-eyes review. The depositary utilises checklists to aid in the review of certain key policies maintained by the FMC (e.g. Valuation Policy). Due diligence visits are clearly scoped and notes are maintained to evidence discussion points with the FMC at due diligence meetings. Outcomes of due diligence reviews of FMCs, and any relevant delegates, are reported internally to senior management (e.g. Forum, Committee, Board) and externally (e.g. Fund Board, FMC).
3	Follow-up	Outstanding items arising from a due diligence review are tracked and followed up on. Due diligence reviews are not finalised and signed off until the depositary is satisfied that all outstanding points have been addressed.
4	Depositary Report to Unit Holders	The process for preparing the depositary annual report to unit holders is clearly outlined in a procedure, which includes guidance as to when a qualified report may be considered by the depositary. The preparation of the report is subject to a four-eyes review.

3. Independence / Conflicts of Interest		
No	Practice Area	Good Practice
1	Conflicts of Interest at Onboarding	Documented evidence exists that any actual or potential conflicts of interest between the depositary and the fund, FMC, or any relevant delegate, are considered as part of the client acceptance and onboarding process (e.g. included as a check on an onboarding checklist).
2	Conflicts of Interest Policy & Register	Effective conflict of interest controls are in place—including policies, procedures, and registers—to identify and manage all depositary-specific conflicts of interest. Depositary-specific conflicts of interest (actual and potential) are reviewed and reported to the local Board or relevant Committee on an ongoing basis. The conflicts of interest register captures any actual or potential conflicts between the depositary and the fund, FMC, or relevant delegate, to ensure the depositary's independence is not compromised.