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Annex III

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ANNEX III

Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

SUPERVISORY REVIEW AND EVALUATION PROCESS (SREP)([1])

010	Date of the last update of information in this template		(12/05/2025)
020	**Scope of application of SREP** (Article 36 of IFD)	Description of the competent authority’s approach to the scope of application of SREP including: -what types of investment firms are covered by/excluded from SREP. -a high-level overview of how the competent authority takes into account the principle of proportionality when considering the scope of SREP and frequency of assessment of various SREP elements[2].	"Risk Assessments of the activities of Investment Firms are conducted under the Central Bank of Ireland’s supervisory risk framework. These risk assessments vary in terms of the frequency, depth and intensity depending on the size and complexity of the Investment Firm. This process enables Supervisors to form a view on the business model, risk profile and viability / sustainability of an Investment Firm. Investment Firms in Ireland vary significantly in terms of their size, risk profile and scope of activities, ranging from very small non-complex firms to large / complex international firms. Class 2 and Class 3 Investment Firms are subject to SREP under IFD. These Firms are then categorised for SREP purposes. Category 1 and Category 2 Investment Firms will be subject to planned and periodic SREP assessment. Category 3 and Class 3 firms will be subject to a SREP on a case-by case-basis, and where Supervisors deem it necessary based on nature, scale and complexity (with the requisite risk assessments being event based and the scope and depth of the review tailored to the risk profile of the Investment Firm). The IFD SREP process and periodicity is consistent with the Central Bank of Ireland’s existing supervisory framework and timelines. With regard to the principle of proportionality for Investment Firms, the Central Bank of Ireland utilises our in-house Probability Risk Impact System, “PRISM” to assist in how this is applied on a consistent basis across all Investment Firms. PRISM is a system that assists the Central Bank of Ireland with risk-based supervision and in ensuring that the appropriate supervisory oversight is in place for each Investment Firm. This supervisory tool differentiates Investment Firms based on their risk profile and their potential impact on the domestic financial system. The Central Bank of Ireland also considers proportionality in the context of an individual firm’s activities and its business model (e.g. market risk, counterparty credit risk or liquidity risk may be more relevant in certain firm types). In addition, the Central Bank of Ireland will consider on at least an annual basis the categorisation adjustment process for Investment Firms contained in the SREP Guidelines (applying both qualitative and quantitative rationales)."
030	**Assessment of SREP elements** (Articles 36 of IFD)	Description of the competent authority’s approach to the assessment of individual SREP elements-including: -a high-level overview of the assessment process and methodologies applied to the assessment of SREP elements, including: (i) business model analysis; (ii) assessment of internal governance and investment firm-wide controls; (iii) assessment of risks to capital; and (iv) assessment of risks to liquidity; -a high-level overview of how the competent authority takes into account the principle of proportionality when assessing individual SREP elements [3].	"The Central Bank’s supervisory approach for Investment Firms is structured to facilitate judgement based, outcome focussed supervision. The specific risks in Investment Firms are assessed in order to consider the overall internal governance and firm wide controls in place, the risks to capital and liquidity to which the firm is or may be exposed, the business model of the Investment Firm, as well as the assessment of the potential systemic risk posed by the Investment Firm. Supervisors utilise a structured engagement model for the assessment of individual risks and this requires Supervisors to challenge an Investment Firm and to form judgements about specific risks. The risks to which Investment Firms are exposed are also assessed by reviewing risk levels and risk controls. These processes facilitate Supervisors making decisions about each type of risk relevant to an Investment Firm’s operations and are based on a review of both qualitative and quantitative information. The probability of the risk occurring is assessed for each risk and reflects the Supervisor’s overall assessment of the specific risk for the Investment Firm, with all such assessments being subject to internal quality control mechanisms within the Central Bank of Ireland to ensure consistency of approach across all Investment Firms. The outcome of the risk assessment process can result in various supervisory actions and measures including Risk Mitigation Programmes (“RMP”) which require an Investment Firm to take appropriate steps to mitigate the risks identified. With regard to principle of proportionality for Investment Firms, the Central Bank of Ireland utilises PRISM (a risk-based supervisory system). This supervisory tool differentiates Investment Firms based on their risk profile and their potential impact on the domestic financial system. In addition, Key Risk Indicators act as useful information to assist Supervisors when assessing specific risks and provide notice that the profile of individual risks within an Investment firm has changed. The Central Bank of Ireland will also take the nature and complexity of the Investment Firm into account as part of the assessment. "
040	**Review and evaluation of ICAAP and ILAAP** (Articles 24 and 36 of IFD)	Description of the competent authority’s approach to the review and evaluation of the additional own funds and specific liquidity requirements as part of the SREP, and, in particular, for assessing the reliability of additional own funds and liquidity calculations for the purposes of determining additional own funds and liquidity requirements including[4]: -an overview of the methodology applied by the competent authority to review the internal capital adequacy assessment process (ICAAP) and the internal liquidity adequacy assessment process (ILAAP) of investment firms; -information/reference to the competent authority requirements for submission of ICAAP and ILAAP-related information, in particular covering what information needs to be submitted;	"The Central Bank of Ireland assessment reviews the extent to which Investment Firms (at an individual level) or Investment Firm groups (at a consolidated level), have sound, effective and comprehensive arrangements, strategies and processes in place to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital and liquid assets that are appropriate for their business model and associated risks. As such, the assessment focuses on how firms adequately cover the nature and level of risks which they may pose to others and to which the Investment Firms/groups themselves are or may be exposed to. In carrying out the assessment the Central Bank of Ireland assesses the aforementioned arrangements, strategies and processes presented by Investment Firms/groups as part of the internal capital adequacy and internal risk assessment (ICARAP) process that may be further split into: • An internal capital adequacy assessment process (ICAAP) and • An internal liquidity adequacy assessment process (ILAAP). From a capital perspective, the Central Bank of Ireland is assessing whether the ICARAP/ICAAP is covering: • The extent to which the risks or elements of risks the Investment Firm/group is exposed to or poses to others stemming from its businesses and operations either regulated or non-regulated; • The extent to which the Investment Firm/group has taken the necessary steps and has the necessary resources to ensure the risks or elements of risks that might arise from an orderly wind-down process are adequately captured. When carrying out the capital assessment, the reliability of ICARAP/ICAAP is assessed considering: • The extent to which the Investment Firm’s board and senior management have taken responsibility for the ICARAP/ICAAP; • The extent to which the design of the ICAAP has been fully specified and documented; • The extent to which the ICARAP/ICAAP forms an integral part of the Investment Firm’s management processes; • The extent to which the ICARAP/ICAAP is risk-based and covers all material risks to which the Investment Firm is or might be exposed. • The extent to which the ICARAP/ICAAP is regularly reviewed; • The extent to which the ICARAP/ICAAP is forward looking and integrated with the Investment Firm’s strategic plans; • The reasonableness and adequacy of measurement and assessment processes. When assessing the reliably of the ICARAP capital review or ICAAP, the assessment considers the following five dimensions, in line with the Joint ESMA and EBA Guidelines on SREP for Investment Firms: • Consistency: the extent to which the quantified risks are commensurate with the business model, composition of the portfolio and trading strategy of the Investment Firm • Granularity: the extent to which the methodologies allow for the calculations to be broken down at least by risk category, where possible broken-down risk-by-risk, rather than presenting a single (economic capital) calculation covering all risks. For the forecasts carried out by the Investment Firm for the base and stress assessments the extent to which the key drivers are outlined and information is presented to allow for the identification of key drivers of balance sheet, profit and loss and off balance sheet; • Credibility: the extent to which the calculations/methodologies used demonstrably cover the risks they are looking to address and are based on the Investment Firm’s knowledge and experience, or, where applicable, on appropriate models and prudent assumption; When assessing the economic capital the Central Bank of Ireland focuses, inter alia on: • The extent to which Investment Firms identify and quantify all material risks that may cause economic losses and deplete internal capital. • The extent to which Investment Firms have robust risk quantification methodologies that are sufficiently stable, risk sensitive, and conservative enough to quantify losses that occur rarely/end tail events. • The extent to which Investment Firms address uncertainties arising from risk quantification methodologies. • The extent to which Investment Firms consider risks identified under the economic perspective also under the normative perspective (feedback loop) When assessing the orderly wind-down for Investment Firms the Central Bank of Ireland is considering • The extent to which the wind-down scenario is appropriate for the Investment Firm’s given • The legal form and the related applicable insolvency requirements; • The business model and related vulnerabilities; • Key revenue and costs drivers; • Key cash inflows and outflows; • The extent to which the time-frame proposed to the wind-down is realistic; and • The extent to which the wind-down of the Investment Firm group impacts its clients, counterparties and markets, and the Investment Firm/group itself.

		-information on whether an independent review of the ICAAP and the ILAAP is required from the investment firms.	When considering adverse cyclical economic fluctuations, the Central Bank assess how risks or elements of risks the Investment Firm poses to others or is exposed to may evolve over multi-year period, taking into account the Investment Firm's business cycle. • The level of detail of this assessment varies depending on the complexity of the business model and risk profile of the Investment Firm. When carrying out the forward looking assessment the Central Bank of Ireland reviews, inter alia: • The extent to which Investment Firms have a multi-year assessment of their ability to fulfil all capital-related regulatory requirements and demands (Overall capital requirements including Pillar 2 Guidance and management buffer in base and Total SREP capital requirements and management buffer in stress). • The extent to which the multi-year approach is based on a credible baseline scenario and adequate, firm-specific adverse scenarios, including at least one severe but plausible scenario incorporating all of the material risks for the Investment Firm • Understandability: the extent to which underlying drivers of the calculations/methodologies are clearly specified. A 'black box' calculation is not acceptable; • Comparability: The Central Bank of Ireland considers the ICARAP's/ICAAP's risk measurement methodologies, adjusting, or requiring the Investment Firm to adjust them, to facilitate comparability with peers and supervisory benchmark estimations An annual ICAAP questionnaire is submitted by Investment Firms and reviewed by supervisors based on the principle of proportionality. The Central Bank of Ireland determines through the SREP capital assessment whether the own funds requirements held by the Investment Firm provide sound coverage of risks to capital stemming from regulated and non-regulated businesses to which the Investment Firm is or might be exposed, or pose to others, if such risks are assessed as material to the Investment Firm. • The Central Bank of Ireland determines and sets the amount of additional own funds requirements (P2R) the Investment Firm is required to hold to cover risks and elements of risks the Investment Firm is exposed to or poses to others, that are not covered or not sufficiently covered by Parts Three and Four of Regulation (EU) 2019/2033. Where necessary, the Central bank of Ireland determines and sets additional own funds requirement to address deficiencies in the Investment Firm's governance and control mechanisms, internal models used for regulatory purposes, prudent valuation of the trading book, or to address the Investment Firm's repeated failure to maintain adequate level of additional own funds guidance. Additional own funds requirement should be met by the Investment Firm at all times. • To address potential capital inadequacies, including in adverse conditions, the Central Bank of Ireland takes appropriate supervisory measures, including, where relevant, establishing and communicating guidance on additional own funds (P2G). The P2G is the amount of capital the Investment Firm is expected to hold to ensure that cyclical economic fluctuations do not lead to a breach of own funds and additional own funds requirement or threaten the ability of the Investment Firm to wind down and cease activities in an orderly manner. The ICARAP/ICAAP as well as the Investment Firm's wind-down plan play a central role in the Central Bank of Ireland's assessment of capital adequacy and the quantification of P2R and P2G imposed on Investment Firms, where relevant. The Central Bank of Ireland's P2R assessment considers the Joint EBA and ESMA SREP Guidelines for Investment Firms as well as the RTS. P2R is set on a case by case basis: • For Class 2 Investment Firms/groups it considers the higher of a going (K-factors and other risks) and gone concern assessments (the risk of an unorderly wind-down) • For Class 3 Investment Firms/groups it considers the outcome of the gone concern assessment (the risk of an unorderly wind-down)
050	**Overall SREP assessment and supervisory measures** (Articles 38 and 39 of IFD)	Description of the competent authority's approach to the overall SREP assessment (summary) and application of supervisory measures on the basis of the overall SREP assessment[5]. Description of how SREP outcomes are linked to the application of early intervention measures according to Article 27 of Directive 2014/59/EU and determination of conditions whether the investment firm can be considered failing or likely to fail according to Article 32 of that Directive[6].	"The Central Bank of Ireland makes an overall assessment of the capital and liquidity adequacy of Investment Firms based on the information reviewed and evaluated during the SREP. The Central Bank of Ireland strives to take adequate SREP decisions using a wide range of information coming from several building blocks. These include the Investment Firms' regular reports, ICARAP or ICAAP and ILAAP, engagement with senior management within the Investment Firm, the Investment Firms' risk appetite, supervisory quantifications used to verify and challenge the Investment Firms' estimates, risk assessment outcomes (including risk level and risk control assessments), the outcome of stress tests, and the Supervisor's overall risk priorities. The Central Bank of Ireland may consider supervisory measures to rectify or mitigate against deficiencies in controls and/or risk management as part of the SREP. Measures available include: • requiring Investment Firms to hold additional capital; . • Requiring investment firms to put liquidity measures in place;• requiring improvements in internal governance and firm wide controls ; • requiring the Investment Firm to apply a specific provisioning policy or treatment of assets in terms of own funds requirements; • restricting or limiting the business operations; and • requiring Investment Firms to reduce the inherent risk in their activities. The outcome of the SREP analysis and any supervisory measures imposed are communicated to the Investment Firm in writing and the Investment Firm is given an opportunity to respond. Supervisory measures are both quantitative, imposing additional capital and liquidity requirements, and qualitative whereby a RMP is imposed on an Investment Firm. A RMP identifies the risk to the Investment Firm and imposes an action on the Investment Firm, which should ensure that the risk is mitigated and that a specified outcome is achieved. Contravention of a Central Bank of Ireland regulatory requirement may be the subject of an administrative sanction under Part III C of the Central Bank Act 1942. Please see a link to our Enforcement Process here. As part of the SREP assessment, Supervisors will make a determination on the financial, capital and liquidity position of the Investment Firm. An analysis is completed of the Investment Firms' own key risk indicators. A determination is made as to whether the Investment Firm is likely to breach its capital requirements. If there is any indication of a deteriorating financial position, the Central Bank of Ireland may impose supervisory measures (including early intervention measures if applicable) on the Investment Firm. If, on these bases, an 'F' SREP score is assigned to an Investment Firm (i.e. that one or more of the BRRD FOLTF conditions are met), then the Supervisor would engage with the relevant resolution authority in accordance with the applicable procedures, where applicable. "

(1) Competent authorities are to disclose the criteria and methodologies used in rows 020 to 040 and in row 050 for the overall assessment, in the form of an explanatory note as per the second column.

(2) The scope of SREP to be considered both at a level of an investment firm and in respect of its own resources. A competent authority shall explain the approach used to classify investment firm into different categories for SREP purposes, describing the use of quantitative and qualitative criteria, and how financial stability or other overall supervisory objectives are affected by such categorisation. A competent authority shall also explain how categorisation is put in practice for the purposes of ensuring at least a minimum engagement in SREP assessments, including the description of the frequencies for the assessment of all SREP elements for different categories of investment firms.

(3) Including working tools e.g. on-site inspections and off-site examinations, qualitative and quantitative criteria, statistical data used in the assessments. Hyperlinks to any guidance on the website to be added.

(4) Competent authorities shall also explain how the assessment of the internal capital adequacy assessment process (ICAAP) and the internal liquidity assessment process (ILAAP) is covered by the minimum engagement models applied for proportionality purposes based on SREP categories as well as how proportionality is applied for the purposes of specifying supervisory expectations to ICAAP and ILAAP, and in particular, any guidelines or minimum requirements for the ICAAP and ILAAP the competent authorities have issued.

(5) The approach competent authorities apply to arrive at the overall SREP assessment and its communication to the investment firms. The overall assessment by competent authorities is based on a review of all the elements referred to in row 020 to 040, along with any other relevant information about the investment firm that the competent authority may obtain.

(6) Competent authorities may also disclose the policies that guide their decisions for taking supervisory measures (within the meaning of Article 18 of the IFD) and early intervention measures (within the meaning of Article 27 of the Bank Recovery and Resolution Directive (BRRD)) whenever their assessment of an investment firm identifies weaknesses or inadequacies that call for supervisory intervention. Such disclosures might include the publication of internal guidelines or other documents describing general supervisory practices. However, no disclosure is required regarding decisions on individual investment firms, to respect the confidentiality principle.

Furthermore, competent authorities may provide information regarding the implications if an investment firm violates relevant legal provisions or does not comply with the supervisory or early intervention measures imposed based on the SREP outcomes, e.g. it shall list enforcement procedures that are in place (where applicable).