

Delegation and Outsourcing: Two sides of the same coin

Introduction

Board governance and delegate oversight frameworks have been highlighted as a key risk for regulated entities in 2023. Whilst the Central Bank of Ireland acknowledges that outsourcing presents significant and wide-ranging benefits to regulated firms (“Firms”), it also poses risks if not effectively managed. Furthermore, the Central Bank of Ireland has confirmed that delegation and outsourcing are to be treated as one and the same, with Firms to apply the same level of assessment for intragroup arrangements as for third party outsourced service providers.

The investment management sector is of particular focus and there is an expectation that resourcing and expertise will continue to increase as the nature, scale and complexity of Firms continues to grow. There are a variety of Firms providing different types of services in this space who operate an outsourced business model and for those Firms, existing delegation arrangements, as well as any other outsourcing arrangements, will need to satisfy the Central Bank of Ireland’s requirements on outsourcing.

In particular, there is the need for a Firm’s board and its senior management team to thoroughly challenge the information they receive to demonstrate their effective governance and management over the organisation.



Regulatory Expectations



Knowledge | Clearly map delegation relationships along with associated oversight arrangements and relevant rules



Regularity | Delegation oversight should be carried out when the delegation arrangement is initiated and on an ongoing basis.



Substance | Ensure appropriate resourcing and expertise is retained within the entity delegating to ensure rigorous oversight of the delegate.



Risk Management | Apply a risk based and proportionate approach to overseeing delegates.



Equality | Oversight of internal and external delegation arrangements should be equally robust.

Checklist for Firms



Has the firm assessed the current framework against relevant 'Cross-Industry Guidance; CP138' to ensure compliance with all legislative requirements on outsourcing and third-party oversight of delegates?



Is a periodic review carried out of the firms operating model to ensure its governance structure clearly outlines the responsibilities for operational, reporting and control processes, as well as the individuals responsible for key decisions?



Has a recent assessment of the business model been performed to ascertain if the resourcing and operational capacity is sufficient for expansion of product offering or increased complexity of fund products?



Is the management team able to fully demonstrate their oversight and challenge of all reporting received periodically?



Has scenario testing been carried out to assess the effectiveness of the firm's governance and escalation framework for management, delegates and the board?



How can deloitte help you

Global vision, global solutions, local delivery.
Deloitte can offer a multi-jurisdictional global solution linking the right people with the right skill sets to support your business globally.

Cost control, legal, regulatory & compliance requirements are part of our DNA and traditional setups are re-analysed to maximise efficiency.

We can assist you throughout every stage of your journey; from establishing a new entity in a jurisdiction to conducting pre-contractual due diligence. We can also support the ongoing due diligence of intra group entities ensuring independence is observed and maintained for effective oversight in addition to external third parties.

We can also assist with the review and assessment of the current operating model, considering retained tasks and ensuring that oversight of all important functions follows a risk based approach.

Contact us:

Investment Management contacts.



Niamh Geraghty

Partner | Investment Management Lead

ngeraghty@deloitte.ie



Sarah Twomey

Senior Manager | Risk Advisory

stwomey@deloitte.ie

Deloitte.

At Deloitte, we make an impact that matters for our clients, our people, our profession, and in the wider society by delivering the solutions and insights they need to address their most complex business challenges. As the largest global professional services and consulting network, with over 415,000 professionals in more than 150 countries, we bring world-class capabilities and high-quality services to our clients. In Ireland, Deloitte has over 3,000 people providing audit, tax, consulting, corporate finance financial advisory, and risk advisory services to public and private clients spanning multiple industries. Our people have the leadership capabilities, experience and insight to collaborate with clients taking them wherever they want to go. This document has been prepared by Deloitte Ireland LLP for the sole purpose of enabling the parties to whom it is addressed to evaluate the capabilities of Deloitte Ireland LLP to supply the proposed services. This document is not an offer and is not intended to be contractually binding. Should this proposal be acceptable to you, and following the conclusion of our internal acceptance procedures, we would be pleased to discuss terms and conditions with you prior to our appointment and no reliance may be placed for any purposes whatsoever on the contents of this document. Deloitte Ireland LLP is a limited liability partnership registered in Northern Ireland with registered number NC001499 and its registered office at 27-45 Great Victoria Street, Lincoln Building, Belfast, BT2 7SL, Northern Ireland. Deloitte Ireland LLP is the Ireland affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NSE LLP do not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms. The Deloitte Ireland LLP privacy notice is available at www.deloitte.ie/privacy © 2023 Deloitte Ireland LLP. All rights reserved