



Central Bank identifies inadequate compliance with MiFID client suitability rules

December 2021

On 1 December 2021, the Central Bank published a 'Dear CEO' letter to MiFID firms detailing findings from the Central Bank's review of firms' compliance with the MiFID client suitability requirements. The Central Bank review, part of an ESMA-coordinated common supervisory action, was carried out in the course of 2020 and the findings were included in ESMA's public statement on the outcome of the CSA as published earlier this year.

MiFID client suitability rules require firms providing investment advice and/or portfolio management to take all reasonable steps to ensure a client's investments align to their objectives and personal circumstances.

While the Central Bank's review of firms' compliance with the above rules identified positive practices such as where firms took a 'personalised and comprehensive' compliance approach, its findings also set out areas for improvement including (i) gathering information to better inform firms assessment of clients' financial situation and capacity to withstand losses; (ii) ensuring suitability reports are both detailed and personalised to the client; and (iii) improving oversight of, and ensuring the issuance of clear risk warnings in, cases where a client insists on a transaction notwithstanding a firm's advice as to its unsuitability.

While the Central Bank is currently engaging directly on issues identified with specific firms, it also requires all MiFID firms providing advice and portfolio management services to retail clients to undertake a documented review of sales practices for compliance with the client suitability rules, identify any necessary remediations and arrange for Board approval of a remediation action plan by the end of Q1 2022. Future supervisory engagements by the Central Bank with firms will take account of firms' compliance with these requirements.

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