

Asset Management & Investment Funds Update

December 2022



Dear CEO Letter Highlights Consumer Protection Expectations

On 14 November 2022, the Central Bank issued a reminder to financial service firms of the importance, given the challenging economic outlook, of meeting the regulatory expectations set out in the Central Bank's March 2022 Consumer Protection Outlook Report. Our briefing on the March 2022 Report is available [here](#).

In addition to the expectations set out in the March 2022 Report, the Central Bank's latest correspondence highlights several regulatory expectations as particularly important in the current climate. Those of which are of particular relevance to fund managers are set out below:

- It is important that firms monitor and evaluate the investment products they sell and consider how their risk profile may change in this period of volatility and seek to mitigate risks to clients accordingly. Products that may have been considered suitable for sale to retail clients previously, may no longer be suitable in the current climate. Firms must ensure their due diligence on products takes account of all relevant factors, including risk-return profile, liquidity, costs and charges, and any 'kick-out' or 'trigger' features that may alter the nature of an investment product under certain conditions.
- The impact that inflation may have on the performance/value of an investment, as well as the impact on nominal returns, should be clearly explained to consumers. For products that include a guarantee or capital protection, it should be clearly outlined that this would not protect against the effect of inflation over time.
- Firms producing financial products are reminded of their responsibilities to provide information (including to intermediaries who sell or advise on their products) that is clear, accurate, up-to-date and not misleading in the context of the current economic circumstances and outlook. Information provided should help consumers make informed decisions.
- Firms should ensure they have robust product governance and oversight arrangements in place to proactively assess the risks and consumer impacts commercial decisions may pose to new and existing customers and develop action plans to mitigate these risks.

Next steps

Firms are expected to incorporate regulatory expectations into their work programmes and senior management and board considerations. As is standard for such 'Dear CEO' letters, the Central Bank may have regard to the terms of the correspondence as part of any future supervisory engagement with firms.

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