

Dear CEO Letter on the Central Bank's key regulation and supervision priorities for 2023

February 2023

On 16 February 2023, the Central Bank published a Dear CEO Letter addressing the Central Bank's key regulation and supervision priorities for 2023.

ECONOMIC CONTEXT

The Dear CEO Letter sets out the economic context which informs the Letter and refers to the Central Bank's most recent Financial Stability Review which outlined the key risks facing the financial system and global markets. The Dear CEO Letter refers to the central expectation that the Irish economy will continue to experience positive (although lower) growth in 2023 and notes that the Irish economy is facing increased downside risks given the size of the energy and inflation shock and the slowdown in the global economy. The Central Bank notes that this economic context will be central to their regulatory focus in 2023.

**CENTRAL BANK
REGULATORY AND
SUPERVISORY
PRIORITIES FOR 2023**

The Central Bank has identified the following as their key 2023 regulatory and supervisory priorities:

(i) Authorisations

Providing a clear, open and transparent authorisation process through active and constructive engagement with industry and other stakeholders. The Central Bank is focused on creating the regulatory context in which the potential benefits of innovation for consumers, investors, businesses and society can be realised, while also effectively managing and mitigating the risks.

(ii) Financial and operational resilience

The Central Bank has identified the assessment and management of risks to the financial and operational resilience of firms as one of its 2023 priorities. Risks include the potential decline in asset quality arising from prevailing inflationary pressures, lingering effects from the pandemic and a slowdown in the UK economy.

(iii) Systemic risks generated by non-banks

Another priority of the Central Bank is to progress actions on the systemic risks generated by non-banks, in particular advancing a macro-prudential framework for non-banks and improvements to the legislative frameworks and investor protections in the investment fund sector.

(iv) Consolidation of the Irish banking sector

The Central Bank will continue to oversee the consolidation of the Irish banking sector and associated programme of account migration, implement new credit supervision mandates and continue to monitor for emerging risks in relation to distressed debt, investor protection and product governance.

(v) Consulting and engaging on various regulatory developments

The Central Bank has named the following regulatory developments as priorities for 2023:

- Consulting and engaging on regulatory developments under the Consumer Protection Framework and the Individual Accountability Framework leading to enhancements in existing and new regulations;
- Implementing changes to credit union regulations/guidance arising from the Department of Finance-led policy framework review, including through engaging with sectoral stakeholders;
- Ensuring that the EU's Anti-Money Laundering Action Plan, including the establishment of a single supervisory authority (the Anti-Money Laundering Authority), results in a consistent and robust EU-wide framework;
- Contributing to progressing European regulation, particularly the review of the Payment Services Directive (PSD2) and the functioning of open banking; and
- Implementing new EU regulations on digital operational resilience (DORA) and markets in crypto assets (**MiCA**).

(vi) Market abuse and financial sanctions

The Central Bank prioritises its ongoing focus and vigilance around the integrity of the financial system and preventing misuse through detecting and sanctioning market abuse, supervising firms' compliance with Anti-Money Laundering/Combating the Financing of Terrorism obligations and administering and enforcing financial sanctions (working closely with An Garda Síochána and other relevant bodies in all these areas).

(vii) Innovation

Consulting on the Central Bank's approach to Innovation that will include an exploration of new ways of engagement with innovators and their products.

(viii) Climate change risks

Strengthening the resilience of the financial system to climate change risks and its ability to support the transition to a climate-neutral economy, along with implementing the EU's Sustainable Finance Disclosures Regulation.

CENTRAL BANK'S APPROACH

The Dear CEO Letter concludes that the Central Bank's regulatory and supervisory approach is fundamentally a risk-based approach. The Central Bank also prioritises listening to all of its stakeholders and building genuine two-way dialogue on these issues.

CONTACT US

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