



Matheson

Central Bank of Ireland PRISM Review

In February 2020, the Central Bank of Ireland (“**Central Bank**”) published a **paper** “PRISM Impact Review – Revised Prudential Impact Models” providing a high level overview of its PRISM impact review. The Probability Risk and Impact System™ (PRISM™) is the Central Bank’s risk-based framework for the supervision of regulated firms. It was first introduced in 2011.

The Central Bank’s paper includes information on the revisions to the prudential impact models, including their metrics, in the asset management and fund service provider sectors (and other sectors).

According to the Central Bank, the revised prudential impact models represent an enhancement of the previous models, as the majority include new metrics which better represent the actual impact of financial service provider failure. Previously, the size of a firm was the key driver of impact. Under the new model, various dimensions of impact are assessed, such as substitutability, connectivity, scale, spread of failure etc.

Changes to the prudential impact models applied by the Central Bank in conducting a risk rating will follow a data collection initiative, followed by ongoing quarterly data submissions. The Central Bank will write to affected asset managers and funds service providers to inform them of their revised impact category in the first half of 2020. Changes to a firm’s PRISM rating will affect the intensity of supervisory engagement.

In relation to industry levies, the Central Bank’s funding strategy is to move towards full recovery of regulatory costs from the industry in the coming years. While no changes are planned to levy methodologies in the 2019 levy cycle (2020 billing cycle) arising from the changes announced in this paper, the Central Bank intends to test alternative levy methodologies for future use. These will be communicated to industry if changes arise.