Mary-Elizabeth McMunn: Through the cycle – regulation and supervision in an uncertain world

Remarks by Ms Mary-Elizabeth McMunn, Deputy Governor of the Central Bank of Ireland, at the Compliance Institute Annual Conference, Dublin, 3 October 2025.

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Good morning everyone, and many thanks to Séamus and Michael for the invitation to speak to the Compliance Institute's Annual Conference this year.[1]

Given the important role compliance professionals play in ensuring the financial system is well run, you are key stakeholders for Central Banks and Regulators, and so I am delighted to address you all this morning.

The theme of today's conference, "Compliance leadership in an uncertain world", is very appropriate one. And from the breadth and complexity of topics on the agenda today it is easy to see why!

Indeed uncertainty and complexity are a challenge that all leaders are having to navigate, and so today I would like to share some perspectives on this uncertain world.

I will first set out some of the macro challenges facing the financial sector, before delving a little deeper in terms of what that means for you and for us.

And lastly, I will touch on the turning regulatory cycle, including the simplification agenda, given it is regulators and compliance professionals who are the coalface of implementing the regulatory and supervisory framework.

Risk Environment

But first, the risk environment we are all operating in.

I think we can all agree that we are living through challenging and uncertain times.

Times of great geo-political change, and potentially of great geo-economic fragmentation.

But also times of huge, and indeed rapid, technological progress, reshaping our daily lives.

Both of these could have profound implications for our economy and our financial system, and come alongside other great structural shifts, including an escalating, and in many ways a potentially existential, climate challenge.

While we have all been taking about geo-political, technological and climate change for a number of years now, the pace and scale of that change has clearly accelerated this year. Once tail risks and events are now looking much less unlikely; and we are all having to navigate a transition to a potentially structurally very different world.

Navigating such change is not something new for us, and indeed both regulators and industry have built up plenty of muscle memory responding to crises. Probably more muscles and more memories than we would wish to have!

Like many in this room my career has spanned the financial crisis, the euro crisis, Brexit and Covid – and for a number of years now responding to an increasingly volatile and risky world. Lessons learned and changes made throughout that time have helped us all navigate the recent series of shocks – facing them with agility, better data, stronger risk management capabilities, and with a system bolstered and buffered by the resilience we have collectively built over the last decade.

The depth, breadth and pace of change underway, however, leaves no room for complacency.

This is why vigilance, resilience and agility would be my watch words for the period ahead.

And I would reiterate what I said in my first speech as Deputy Governor this year: We need to be prepared for both short term shocks and long term shifts, for novel as well as traditional risks, and for resilience, both financial and non-financial, to be tested in different ways.[2]

Managing risks and seizing opportunities – the long and the short of it

But let me unpack that a little, and speak about responding to change and challenge, both in terms of seizing any opportunities while managing the risks.

For it is of course the financial system's job to both take and manage risk, and indeed there are risks from not taking your opportunities.

Part of the challenge, however, is that what we are dealing with is both cyclical and structural, meaning we are managing both significant risks and uncertainty in the near term, as well as adapting to an accelerated transition to a longer term different world.

Let me take some examples, around these geo-economic, digital and climate transitions.

In terms of geopolitics, we have all been navigating the short term shocks and shifts taking place this year, and indeed geopolitical risk has been a focus of supervisors for a number of years.

For me it is a classic example of where macro meets micro, and in our Regulatory and Supervisory Outlook this year we set out a framework for thinking about geopolitical risk and its transmission channels.[3] This includes the impact of risks crystallising through the traditional risk channels we grapple with, from credit, liquidity and market risks, to business model and operational risks. As well as ensuring you are managing the risks to your consumers in the face of these macro-economic headwinds.

There is also the clear risk that regulatory fragmentation follows geo-political ones, and the risks from divergent regimes and lowering of requirements is something I know is on your minds too.[4]

But in addition to an unprecedented short term policy uncertainty at a global level, we are also faced with the potential continuation of a recent trend towards geo-economic fragmentation over the longer term.

While both of these are obviously a challenge for a small open economy like Ireland – and one we are very much alive to, our commitment to open markets and our international financial sector is for me an enduring strength, one which can help us seize opportunities even in the midst of fragmentation.

In terms of digitalisation, the speed at which it is moving makes it feel sometimes like the short and the long term are rapidly converging.

And while we are all grappling with the operational risks and challenges we are facing in an increasingly technological financial sector, as I have said before the digital transition, done right, has immense potential – delivering better outcomes for consumers, investors, and the wider economy.[5]

And so it is crucial that you are ready to capitalise on that potential. That you are proactively and appropriately adapting your business models, strategies and systems to do so, to make sure you and your consumers are not left behind.[6]

For we want the benefits of innovation to accrue to the wider system. This is something we have sought to foster through our policy, our supervision, our innovation engagement and innovation sandbox as well as our catalyst role in the field of payments.

In terms of climate change, this remains a key challenge for both society as a whole as well as for the delivery of our mandate – from monetary policy, to financial stability and the safety and soundness of firms, as well as ensuring the financial system is operating in the best interest of consumers and the wider economy.

While the conversation on climate may have abated, the risks certainly have not. Nor have the necessary actions which we all must take. Indeed the challenge looks only to be growing.

In the short run, we are already seeing the impacts from more frequent extreme weather events; and we are becoming increasingly aware of the challenges and risks from tipping points.[7] Supervisors and firms have rightly become more focused on understanding the climate and environmental risks to firms, which can come in many different forms.[8]

And in the long run, while there are obviously significant risks from climate change, there are also opportunities from the transition to a net zero economy, and the financial sector has a big role to in play mobilising private finance as part of this solution.

We often talk about avoiding pro-cyclical affects, and lending through the economic cycle – in good times and bad. In that regard, I would suggest it is in the long term interest of the sector, and us all, to look through the political cycle on climate change, to manage the risks and seize the opportunities as we look to meet this long term challenge facing the world.

Responding to uncertainty and change

So, we are all swimming in uncertainty, navigating complexity and riding the waves of rapid change – a theme that also came out in your recent survey of heads of compliance, and one which I am sure many will empathise with.[9]

But how do we respond? Well there are no easy answers, but let me share some perspectives.

First, is to recognise that in such times, the roles of regulators, supervisors and compliance officers are all the more important (though also all the more challenging!).

For amidst uncertainty and rapid change it is crucial we stick to, and deliver, the fundamentals, which for me start with effective risk management and governance, underpinned by a strong ethical culture and driven by a proactive approach to managing the risks and uncertainties facing your business, and your customers. This of course includes actively considering those customer's interests in the changing and uncertain world.

Compliance, including policies and risk management, but also its role in culture, education, and challenge, are a crucial part of these fundamentals and I would suggest the voice of compliance is increasingly important in this environment.

And so it is important for you to recognise, and to continue to execute, the leadership role compliance officers and risk professionals play in creating the right culture in regulated entities.

For compliance should not be seen as a burden, nor something that needs to be ticked off, but rather as a key an enabler of well-run businesses. The best firms recognise this, they champion it through tone from the top and deliver it through their governance and their culture.

For us at the Central Bank the challenging external environment re-enforces the need for us to be forward looking, risk-based, outcomes focused and proportionate, all principles of our new supervisory approach.[10] As well as the need to ensure we are maximising the best use of our collective resources, while adapting to the changing world around us.

This is something we have been focused on for a number of years now, recognising that in the face of these fundamental changes we cannot stand still, and to continue to deliver on our mandate in a changing world, we must change too.

I would also say the **regulatory framework** needs to be adaptive to this changing external environment – and indeed it has been, and let me briefly take two flagship examples, one domestic and one international, to illustrate this.

As you all know this year we completed our review of the **Consumer Protection Code**, which is the cornerstone of the Central Bank's consumer protection regulatory framework.[11]

The review focused on modernising the code to reflect the provision of financial services in a modern world. For consumers, it introduced a package of protections that better reflect how they are accessing financial services in a digitalising financial system. And for firms the integrated regulatory format, and clearer articulation of their Code obligations, will help them better deliver in the best interests of their consumers.

The Code is something I know there is huge support for, and I know the implementation of the updated Code will be a focus of us all in the period ahead. This is important as we want to see the new Code contributing to building trust in the financial system and for consumers to have the confidence that it will work to deliver positive outcomes for them, important in a time of such uncertainty and change.

Secondly, this year saw the **Digital Operational Resilience Act** take effect, and I know implementing DORA has been a significant piece of work for industry and regulators alike. But I couldn't think of a more important regulatory initiative to meet the challenges of the times, given the key role digital operational resilience plays in modern financial services, and the key external dependencies the financial system has in terms of technology and outsourcing.

As such the importance of this framework, the requirements it introduces and the information it provides cannot be overstated. While the submission of registers of information was a significant task – indeed the first of its kind, a complex exercise and there are learnings, it was also crucial one and will provide key information on the ICT third-party service providers to regulated entities, and those that are critical to the system.

Lastly let me touch on another way we are responding to this changing external environment. In a rapidly changing and increasingly complex world communication and engagement are all the more crucial. Which is why we have put such an emphasis on being more open and engaged, improving the clarity and coherence of our communications with the sector, and deepening our relationships with our international peers.

Engagement, openness and transparency is something I firmly believe in, for it delivers better policy, more effective supervision and better outcomes.

While something we working on, I would say it cuts both ways. You also need to be engaging with us, asking for clarification if we are not clear, and raising issues in an open, transparent and timely manner.

As a supervisor I always found open and respectful dialogue and exchange really helpful, clarifying potential misunderstandings and indeed deepening understanding on both sides. And so I encourage my teams, and would encourage regulated firms (and indeed you in the room) to continue to engage in such dialogue.

Regulatory cycle – simplification vs de-regulation

Let me finish not on the economic cycle, but rather the regulatory one, given another feature of today's uncertain and changing environment is a focus on regulation and growth.

The first thing I would like to say is that regulation plays a key role in our economy and the financial system – supporting innovation, competition and productivity, while ensuring the system operates in the best interest of consumers and the wider economy, both in good times and bad.

The second is to say that in the face of the volatile and rapidly changing times facing our economy and financial sector a robust regulatory and supervisory framework is all the more important; and indeed that framework has stood up well in recent years.

Having said that, given the economic challenges facing Europe, and the renewed focus on competiveness, it is understandable that there is also a renewed focus on the regulatory framework, and how it could be simplified, to reduce any unnecessary complexity and costs.

While financial regulation is only one part of that focus, it is obviously a key focus for you and for us.

Contrary to popular belief, regulators and supervisors want simplification.

It is not in our interest to be wading through unnecessary complexity and processes, and we want to be more effective and achieve our outcomes in better and more efficient ways. As such we are keen to simplify both regulation and supervision, provided it is done in a way that does not compromise on our ability to deliver on our mandate.

For this reason we at the Central Bank are serious about simplification, and are focused on it both domestically and internationally. We are engaged in many conversations on this at the ECB, across the three ESAs and in Brussels. And we are assessing our own domestic frameworks, and have asked for and received ideas from the sector.

While serious about simplification, and while engaging with the sector, this does not mean that we will always agree on where, or how far, to simplify.

Indeed as I have said before one person's unnecessary burden can often be another's important protection.

Furthermore, we cannot simplify so much that we do not capture complex risks, indeed financial regulation is complex in part because financial services is complex.

Nor does our seriousness about simplification mean that we have changed our minds on the important objectives we are trying to achieve. We have not. Rather we recognise, and are open to, the potential for more efficient and effective ways of achieving them.

Equally, simplification cannot mean no new rules. In a world of rapid change regulation standing still risks regulation falling behind.

And indeed history has shown that financial regulation not keeping pace with financial innovation, often leads to financial crises.[12]

Lastly, as anyone involved in the regulatory process will know, simplification won't be simple and it won't be quick. Which is not to say that there are no quick wins, or that there aren't simple things we can do to make a difference for you and for us. There are.

And indeed we have already been delivering them, including more integrated engagement through our new supervisory approach, enhanced F&P and authorisation processes, consulting on amendments to the funds framework, and streamlining reporting requests to name but a few, and with more to come. At EU level we are also delivering, including through ECB Banking Supervision[13] and at the ESAs.

But as we have said before, and as the public would rightly expect of its independent Central Bank and Regulator, we will call out the risks should the legitimate aims of simplification slide into de-regulation.[14] As that clearly would not be a good outcome for our economy or our citizens.

You as compliance professionals have an important role to play here too. For the risks from the regulatory cycle are not just about a changing of rules, it can also relate to a culture and adherence to those rules, with weakening compliance or more of a tick box approach.

So as I said before, the voice of compliance is an important one at this time, as is your continued role in embedding regulation and proactive risk management as part of the culture of a well-run firm.

Conclusion

Let me conclude.

The external environment is a challenging one, characterised by significant uncertainty and volatility and a period of potentially rapid structural change.

The sector has been weathering this change well, thanks to the resilience built over the last decade as well as improvements in Governance, compliance, risk management and culture.

Given the rapid change underway and ahead, in the nature, shape and digitalisation of the global economy and financial system, it is important we remain vigilant, maintain resilience, and ensure we are agile and adapting to the changing nature of financial services, the opportunities it provides and the changing nature of resilience it implies.

And lastly, there is an onus on policymakers, regulators and industry alike to heed our history, and to remember the lessons of the past.

Thank you

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[1] Many thanks to Cian O'Laoide for his help preparing these remarks.

[2] See McMunn "Shocks and shifts – regulation and supervision in a changing world" April 2025.

[3] See Central Bank of Ireland Regulatory & Supervisory Outlook 2025 (PDF 2.15MB).

[4] See Compliance Institute Survey September 2025 (PDF 1.02MB).

[5] See McMunn Central Banks and innovation – delivering our mandate in a digitalising world May 2025.

[6] See Madouros Catching and keeping up - payments innovation in Ireland March 2025.

[7] For example se Carbon Brief Nine "tipping points" where a changing climate could push parts of the Earth system into abrupt or irreversible change.

[8] For example, almost 75% of euro area banks corporate loans to are extended to companies highly dependent on one ecosystem service. ECB Occasional Paper: Living in a world of disappearing nature: physical risk and the implications for financial stability (PDF 1.21MB).

[9] See Compliance Institute Survey September 2025.

[10] See Central Bank of Ireland: Our Approach to Supervision (PDF 324.62KB) February 2025.

[11] See Makhlouf Consumer Protection Code Review Discussion Paper (PDF 2.21MB).

[12] See also Barr: Booms and Busts and the Regulatory Cycle July 2025.

[13] See for example Donnery As simple as possible, but not simpler September 2025.

[14] See also: Dear CEO Letter – Key Regulation and Supervision Priorities 2025 (PDF 98.28KB)February 2025.