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# “Navigating and responding to change – resilience, innovation and regulation in the Funds Sector” – Speech by Deputy Governor McMunn

08 June 2026 Speech



Good morning. I am delighted to be here, and many thanks to Mary O’Dea and the IOB for the invitation.<sup>1</sup>

In my remarks today I would like to set out some reflections on the Irish funds sector - its significance, the environment in which it operates, and what we at the Central Bank see as some of the key priorities for the period ahead – a period likely to continue to be characterised by rapid structural change.

As you all know Ireland’s funds sector is one of the largest fund domiciles in Europe, and plays a critical role in the global asset management ecosystem.

10 years ago Irish Investment Funds had approximately €1.6 trillion in assets under management across around 6,000 funds. Today those figures are c. €5.6 trillion, in more than 9,000 funds – making Ireland now the third largest funds domicile in the world.<sup>2</sup>

By any measure this is a success story for Ireland, and indeed Europe, and one which has been built through decades of deliberate investment – in legal and regulatory infrastructure, in human capital, in operational capability, and in relationships of trust with investors and asset managers around the world.

But of course with such global significance comes global responsibilities – all the more important amidst global challenges and change.

For the environment in which the sector operates is changing rapidly and profoundly – through geopolitical realignment, technological transformation, evolving investor expectations, and a regulatory landscape that must keep pace with all of these developments.

These are the forces shaping the future of this industry, and they demand our collective attention – ensuring the sector adapts, evolves and reinforces its resilience, so that it can continue to play its important role, domestically and globally, into the future.

In this vein I want to address three themes today.

- First, the broader context of geopolitical and technological change and what it means for the funds sector;
- Secondly, the increasing importance of resilience in the face of this change;
- And thirdly, how regulation must adapt to continue to ensure we are harnessing the benefits, for investors and the economy, while appropriately managing the risks.

## The changing landscape: Geopolitical risks...

So, let me begin with the macro backdrop.

We are operating in a period of significant geopolitical shifts, and rapid technological transformation.

While clearly under threat, it is important to say that Globalisation has been unequivocally good for global growth and living standards.<sup>3</sup>

Ireland knows this well, and openness has been a key part of the country's and the financial sector's own transformation.

In many ways the Irish funds sector is globalisation in action.

When capital flows freely across borders, when investors can access diversified portfolios spanning multiple jurisdictions, when specialist expertise can be sourced wherever it resides, these are hallmarks of an open and integrated global economy.

But as we all know the rules-based international order that underpinned decades of globalisation is under strain.<sup>4</sup>

Trade relationships are being reconfigured, and supply chains re-routed.

Sanctions regimes have expanded in scope and complexity – and capital flows are increasingly subject to political considerations that would have seemed remote only a few years ago.

And in the last few years we have seen an unprecedented spike in global policy uncertainty and have all witnessed the speed at which (geo)political events can crystallise into market stress in our globally interconnected economy and financial system.

For a funds sector as internationally oriented as Ireland's, these shifts are not abstract. They are felt in portfolio construction, in counterparty relationships, in operational arrangements, in risk management and in the regulatory expectations that attach to all of these.

We are all alive to these challenges; but we must also respond to them – through adaptability, resilience and maintaining trust.<sup>5</sup>

And as you look to respond, the changing global risk environment says a number of things to me.

Firstly, Geopolitical risk must be an increasingly core element of risk management frameworks.

Secondly, the changing risk landscape demands a level of resilience, preparedness and agility that goes beyond traditional risk modelling – and which we must continually challenge, test and reinforce.

And finally, we must no longer take openness for granted – but rather continue to advocate for it, while being strategic in how we ensure we preserve the benefits of openness while managing the risks that a more fragmented geopolitical landscape presents.

## ... and technological transformations

Alongside geopolitical change, we are witnessing a technological transformation of extraordinary breadth and pace.

Artificial intelligence, distributed ledger technology, cloud computing, and advanced data analytics are reshaping how financial services are delivered, how risks are managed, and how supervision is conducted. This transformation presents both opportunity and risk.

Let me turn first to opportunity as the Central Bank is not an institution that views technological change solely through the lens of risk. Rather we firmly believe, well managed, technology can be a powerful enabler of better outcomes – for investors, for firms, for the financial system and for our economy.

In finance in particular, AI and tokenisation represent the twin technological transformations currently underway – both providing real opportunities.

While much wider, I will focus on the significant potential of these innovations for asset management.

In terms of Artificial Intelligence, we are seeing huge benefits across the funds sector:

- In portfolio management, it can enhance the identification of patterns and opportunities in ways that augment human judgment.
- In risk management, machine learning techniques can improve the detection of anomalies and the calibration of pricing models.
- In compliance and regulatory reporting, natural language processing and automation can reduce cost and error while improving the timeliness and quality of information.
- In investor communications, AI can support more personalised and accessible engagement.

While the various types of AI provide enormous possibilities, its deployment in financial services raises important questions about explainability, accountability, bias, and operational resilience.

Firms, including fund management companies, deploying AI must be able to explain how their models work, who is accountable for their outputs, and how they are governed. The principle of human oversight remains paramount. AI is a powerful tool, but humans decide to deploy it. Therefore it does not displace the responsibility of boards and senior management to understand and govern the activities of the firms they lead.<sup>6</sup>

In this way we expect firms to approach AI with the same ambition we have for it: thoughtful deployment, well-governed, and appropriately evaluated throughout its lifecycle. Good governance, robust risk management and sound evaluation are not constraints on AI's potential. Rather they are ways for it to sustainably deliver services that work, and that your customers can trust.

Tokenisation is another area of considerable promise and my colleague, Deputy Governor Madouros, spoke recently about the transformative potential of the technology. This includes the potential for greater efficiency in settlement, enhanced transparency, broader access to investment opportunities, and reduced friction in cross-border transactions.<sup>7</sup>

For a funds sector that serves investors globally, these are potentially significant.

As you will be aware, we are proactively engaging with developments in tokenisation across our broad mandate and engaging constructively with industry participants exploring its application – in our policy work, at the gate, and through our innovation engagement, both our hub and sandbox.

To facilitate deeper engagement we set out our thinking in a discussion paper earlier last year, and many thanks to those we have engaged with on the paper and the all who have responded formally.<sup>8</sup>

And as part of the Eurosystem we are playing our part too, evolving our systems to support market needs and innovation by enabling settlement of wholesale DLT-based transactions in central bank money.<sup>9</sup>

This mirrors our broader approach – which is to be open to innovation while ensuring that the fundamental protections that regulation provides are maintained regardless of the technology through which financial services are delivered. The regulatory perimeter must be technology-neutral: the same risks should attract the same regulatory treatment, whether assets are held on a distributed ledger or in a traditional custody chain.

I would observe that the combination of AI and tokenisation has the potential to be particularly transformative.

Imagine a funds ecosystem where portfolio management is enhanced by AI-driven analytics, in which fund units are tokenised and can be transferred with near-instantaneous settlement, in which regulatory reporting is automated and continuous rather than periodic and manual, and in which investors have real-time visibility into the composition and performance of their holdings.

This reality is becoming ever closer.

But realising this vision at scale will require the sector to proactively adapt, while thinking carefully about governance, about operational resilience, about the management of model and AI specific-risk, and about the regulatory frameworks within which such innovation occurs.

We are genuinely enthusiastic about these possibilities. But to paraphrase the old proverb – technology is like fire: it is a good servant but a bad master.<sup>10</sup>

And so it is crucial the implementation and transition of these innovations is well managed, robustly governed – and they are used to enhance, not undermine, resilience.

## Reinforcing resilience in the face of change

This brings me to my second theme – resilience, in the widest sense of the word.

This is something we have worked hard on building for the NBFIs sector more broadly over the last number of years – learning the lessons and responding to a number of market episodes that have tested the resilience of different aspects of this sector, including the dash for cash, the LDI crisis, and the market turmoil in April 2025.

Much of the work has focused on mitigating vulnerabilities in the sector in terms of excessive leverage and liquidity mismatch, reflecting the experience of many of these episodes and in particular the need to ensure levels of liquidity are higher, and indeed more usable.

We have actively engaged on this work internationally, given the nature of the sector means international coordination and responses are key. And we have made changes domestically – including macroprudential measures for property funds and for sterling-denominated LDI funds.<sup>11</sup>

More recently we published an analysis in April on the availability and use of liquidity management tools by Irish domiciled investment funds.<sup>12</sup>

And today, in close cooperation with our counterparts, the French AMF and Luxembourg CSSF, we are publishing a consultation setting out national guidance on Money Market Fund Weekly Liquid Asset Levels.<sup>13</sup>

This guidance will supplement the European Commission's recently published report and FAQs on the functioning of the MMF sector<sup>14</sup> by setting out our expectation that Money Market Funds should hold liquidity levels in line with the market resilience level identified by the Commission. Implementation will be supported by enhanced supervisory engagement processes to ensure a consistent and harmonised supervisory approach across the EU.

Taken together with the Commission's publications this package recognises the lessons from recent crises, strengthens Europe's regulatory framework, and, importantly, further strengthens the resilience of EU MMFs.

But resilience is not simply about managing liquidity and leverage-related risks – though these matter enormously, and are a perennially priority for me, my colleagues, and our teams

It is about much more than that.

It is about the quality of governance, the rigour of stress testing, the robustness of operational arrangements, and the capacity of boards and senior management to make sound decisions under pressure.

And it is about ensuring that governance, and risk management and control frameworks themselves, are genuinely capable of identifying, escalating, and responding to risks before they crystallise into harm.

In the face of a challenging global risk landscape, and rapid technological change, resilience across all of these components, is increasingly crucial.

This is particularly true given the range of possible outcomes that could happen has widened considerably in recent times, and what we might have considered tail risks a few years ago, may no longer be so.

In such an environment the financial sector, and not just financial regulators, needs to be thinking seriously about minding these tails.<sup>15</sup>

This means scenario planning that goes beyond historical precedent.

It means liquidity management frameworks that are tested against severe but plausible conditions.

It means operational resilience planning that accounts for an increased threat landscape, as well as the simultaneous failure of multiple systems or service providers.<sup>16</sup>

And it means governance arrangements that ensure the right people are asking the right questions at the right time.

I want to say something specific about governance frameworks in the context of resilience.

A governance framework that functions adequately in benign conditions may prove wholly inadequate under stress. When markets are calm, when redemptions are orderly, when service providers are performing as expected, governance can appear robust even when it is, in reality, untested.

The true measure of a governance framework is how it performs when conditions deteriorate.

Does information flow to decision-makers with sufficient speed and granularity? Are escalation pathways clear and well understood? Do boards and senior management have the expertise and confidence to take difficult decisions – to suspend redemptions, to override a delegate, to challenge a valuation – when circumstances demand it?

These are not hypothetical questions. They are the questions my supervisors ask, and they are the questions that fund management companies should be asking of themselves on a continuing basis.

Governance resilience is not achieved through documentation alone. It is achieved through practice, through testing, through the cultivation of a culture in which challenge is welcomed and in which complacency is recognised as a risk in its own right.

And at the end of the day, like all aspects of resilience – we are not focused on resilience for resilience’s sake; rather because it is a fundamental part of safe and sound firms and the protection of investors, ensuring the sector can perform its important role for investors and the economy.

## Regulation – adapting with the times

This brings me to the question of regulatory adaptation.

The financial sector is not static, and neither can regulation be. If regulation fails to keep pace with the evolution of markets, business models, and technology, it risks falling behind – both in its enabling role and in the important guardrails it provides.

At the Central Bank, we are committed to ensuring that our regulatory and supervisory framework remains fit for purpose, which means several things.

First, it means embracing technology in our own supervisory practices. We are investing significantly in our data and analytical capabilities. We are developing tools that allow us to supervise more effectively – to identify emerging risks earlier, to process larger volumes of information more efficiently, and to deploy our supervisory resources with greater precision. The use of technology in supervision is not a luxury; it is a necessity in a financial system of the scale and complexity we oversee.

Second, it means ensuring our regulatory and supervisory approach continues to be more effective and efficient, as well as responsive to the evolving environment in which firms operate.<sup>17</sup> This is why we moved to a new supervisory approach in January last year; and also why we are committed to delivering simplification – across regulation, supervision, gatekeeping and reporting – ensuring our requirements remain proportionate, our guidance is clear, and our processes are efficient.

But as I said before: simplification should not mean lower standards.<sup>18</sup> Our mandate and objectives have not changed, though we are open to simpler ways of achieving them. And strong financial and operational resilience, good governance and risk management, and the protection of consumers and investors are the very foundations of a stable, well-run and well functioning financial sector – and indeed are arguably now more important than ever. This is why, while we will be risk based and proportionate, we will continue to be robust and outcome focused – which includes a supervisory approach underpinned by the credible threat of enforcement.

Third, it means engaging constructively with European and international developments. This is particularly important given we operate within the European regulatory architecture, and many of the most significant regulatory initiatives are driven at a European level. We are an active and constructive participant in these processes, advocating for frameworks that support open, resilient and well-functioning markets while maintaining robust investor protection.

Fourth, and relatedly, it means ensuring that our authorisation and ongoing supervisory processes are efficient while remaining robust. We are conscious that the speed and predictability of regulatory processes matters to firms making investment decisions about where to locate their operations. We are also conscious of the high standards investors expect from funds located in Ireland.

We want Ireland to be a jurisdiction in which firms can engage with their regulator in a manner that is professional, timely, and constructive. This does not mean that we will lower the bar for authorisation or supervision – it means that we will endeavour to make our processes as clear, as efficient, and as well-resourced as they need to be to deliver outcomes that are both timely and robust.

Lastly, ensuring regulation remains fit for purpose is not just about process and clarity but also substance. In particular during times of rapid change, we must continuously ask whether the regulatory and supervisory framework adequately captures the risks that exist. Examples in the modern funds landscape, include the growth of private markets, the increasing use of leverage in certain fund strategies, and the expansion of delegation chains.

All of these developments raise questions about whether existing rules remain appropriately calibrated. We engage actively with these questions, both in our domestic supervisory practice and in our contributions to European and international policy development.

One aspect of this that is important for this sector, has been our supervisory review of delegation practices in fund management companies in Ireland – a review which forms part of our ongoing robust risk-based supervision. We have completed that review, and we will be publishing our report next month.

## Conclusion

Let me conclude.

The Irish funds sector operates in an environment of considerable change – geopolitical, technological, and regulatory. This environment presents challenges that are real and complex, but also opportunities that are significant and exciting.

To both navigate and capitalise on this change we must respond to it – proactively, not just reactively.

And to meet these clear challenges – to openness, and from rapid digitalisation – by reinforcing our resilience.

So that we can not just endure but we can prevail.<sup>19</sup>

At the Central Bank, we are committed to playing our part – as a supervisor that is robust but fair, as a regulator that is adaptive but principled, and as an institution that is forward looking and engages constructively with the sector it oversees.

The sector must also respond and adapt. By also being forward looking and innovative – while strengthening, rather than neglecting, the fundamentals.

In this way you can ensure you continue to play your important role for investors and the economy, through good times, through bad times and through changing times.

Thank you

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[1] Many thanks to Catharine Dwyer and Cian O’Laoide for their help preparing these remarks, and Simon Sloan, Micheal O’Keeffe and Vasileios Madouros for their helpful comments.

[2] See Investment Fund Statistics – Q1 2026 (PDF 332.35KB)

[3] Though as we have said before the benefits may not always have been evenly distributed – see for example, Donnery Financial regulation in a fragmenting world Dec 2024

[4] See also Makhoulouf Geoeconomic fragmentation from a small open economy perspective May 2023

[5] See Regulatory Supervisory Outlook 2026 (PDF 1.85MB) Feb 2026

[6] See also RSO 2026 (PDF 1.85MB) in particular Spotlight 1 - Approaching AI from a Supervisory Perspective

[7] See also Madouros Finance in transition: the Central Bank’s approach to tokenised finance May 2026

[8] See Central Bank of Ireland (2026) ‘DLT and tokenisation in finance services’ Discussion Paper (PDF 1.37MB) March 2026

[9] See ECB Pontes, which is the Eurosystem's distributed ledger technology (DLT) solution that links market DLT platforms and TARGET Services to settle DLT-based wholesale transactions in central bank money.

[10] See Aesop's Fables; as well as Alexandre Dumas ("money is a good servant but a bad master").

[11] See <https://www.centralbank.ie/financial-system/financial-stability/macro-prudential-policy/nbfi/property-funds> and <https://www.centralbank.ie/financial-system/financial-stability/macro-prudential-policy/nbfi/liability-driven-investment-ldi-funds>

[12] See Central Bank of Ireland publishes financial stability assessments of the non-bank sector April 2026

[13] See CP168

[14] See [https://finance.ec.europa.eu/publications/report-adequacy-money-market-funds-regulation-prudential-and-economic-point-view\\_en](https://finance.ec.europa.eu/publications/report-adequacy-money-market-funds-regulation-prudential-and-economic-point-view_en) May 2026

[15] See also Madouros Minding the Tails: Safeguarding Resilience of Non-Bank Finance April 2026

[16] See RSO 2026 (PDF 1.85MB) and FSR 2026:I (PDF 0.98MB)

[17] See also Makhlof Better Rules, Better Outcomes: The Next Evolution in Financial Regulation Nov 2025

[18] See McMunn Shocks and shifts – regulation and supervision in a changing world March 2025

[19] See William Faulkner Nobel Lecture Dec 1950