Mary-Elizabeth McMunn: Reinforcing the foundations - openness through resilience in the face of change

Speech by Ms Mary-Elizabeth McMunn, Deputy Governor of the Central Bank of Ireland, at PWC, Dublin, 23 July 2026.

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Good morning, I am delighted to be here and many thanks to Andrea for the invitation.[1]

I very much look forward to the discussion and to hearing from you, but first of all I would like to set the scene with some perspectives on the environment we are operating in.

Last month I set out my views on some of the key structural changes in the external environment underway, and how they are reshaping the financial system and in particular the funds sector.[2]

I would like to briefly re-iterate a number of those themes today – before turning to some recent supervisory work we have done, and some policy work to come.

Pace and scale – a decade of change

The first theme I would like to highlight is the pace and scale of change.

The Irish funds sector knows this only too well.

Over the last ten years the sector has more than tripled in size in terms of assets under management – from €1.6 trillion to €5.6 trillion in assets. And the number of Irish authorised investment funds has also significantly increased, up c. 50% – from 6,000 to 9,000 funds.

In addition to the growing scale and complexity of the sector, these 10 years have seen some fundamental changes take place in the global economy.

We have lived through a number of global shocks, from Brexit to Covid, to Russia's invasion of Ukraine – as well as (geo)-politically induced market events: from the LDI crisis in 2022 to the market turmoil last April, and indeed the market volatility seen this March.

And in particular over the last 18 months we have seen an acceleration in the geo-political shifts and geo-economic fragmentation that have characterised the last decade.

In addition to geo-economic change, we are also of course witnessing a rapid acceleration in technological development, adoption and deployment – in particular related to frontier AI models.

Such technological change has the potential to be a profoundly impactful development for our society, our economy and our financial system – presenting great opportunities and benefits; but also significant risks and real challenges.

And it is crucial that the financial services sector responsibly seizes these opportunities to make our system better – while robustly managing the risks.

While change is constant, as we navigate this period I would highlight a couple of defining characteristics for me.

First, is that these rapid shifts are coming alongside other significant structural changes, most notably in our climate and in our demographics.

Though these latter developments may appear less urgent, they are also profound. And our challenge to overcome the 'tragedy of the horizon', is exacerbated by near term shocks and shifts, risking the costs of current inaction being compounded upon future generations.

The second characteristic is that the speed, significance and confluence of all of these changes are altering the range of outcomes that are possible – which in many ways has widened considerably, increasing uncertainty, introducing unpredictability, and leading to questions as to what risks are truly in the tail.

This is a clear challenge which regulators and regulated-entities alike must contend with.

Resilience in the face of change

This brings me to the second theme I want to emphasise today – namely resilience in the face of change.

As I said last month resilience is increasingly crucial, with deep roots and strong foundations necessary to navigate and weather such challenge and change.

This means not just financial resilience, and managing liquidity and leverage-related risks – though these are essential. But also operational resilience and the fundamental importance of resilient governance and oversight arrangements and frameworks – supporting decision making capability, in particular in times of stress.

As I said before, the true measure of governance is how it performs when conditions deteriorate. Whether information flows with sufficient speed, whether escalation pathways are clear, and whether boards have the expertise and confidence to take difficult decisions when circumstances demand it.

And so I would re-iterate that resilient governance is not achieved through documentation alone – but rather through putting it into practice, through testing it, and through cultivating a culture in which challenge is welcomed and in which complacency is recognised as a risk in its own right.

Responding to change

The third theme I want to emphasise is responding to this changing world – for as I have said we must respond, proactively not reactively.

This includes embedding geo-political risks further into our risk management frameworks. It means building resilience for a wider, more complex and less predictable risk landscape.

And it means ensuring we do not take openness for granted – but rather continue to advocate for it, while being strategic in how we ensure we preserve the benefits of openness in a fragmenting world.

For a global sector such as Ireland's funds sector, this is particularly important. You are an example of the clear benefits of open global financial markets. And it is through your resilience and the strong foundations of governance and robust regulation that these benefits – for investors and the European economy – will be preserved.

It also includes ensuring we are adapting to the changing nature of resilience the changing world implies. Which means minding the tails and ensuring operational resilience is keeping pace with the evolving risk landscape – be it from cyber and sabotage risks related to geo-politics, or the material effect frontier AI models are having, and will have, on cyber security and resilience.

And finally, it means ensuring your governance and risk management capabilities and frameworks keep pace with this changing world – which includes ensuring governance outcomes and accountability continues regardless of the manner in which financial services is being delivered.

This is particularly important as advanced AI becomes widely adopted and deployed. While these are powerful tools, it is humans who choose to deploy them. Firms must be able to explain how the models work, who is accountable for their outputs, and how they are governed.

As my ECB colleague noted recently AI does not dilute responsibility. If anything, it raises the bar[3].

And as these tools become more powerful and more prevalent, the principles of robust governance, responsibility and accountability will become more important, not less.

For central banks and regulators, we must respond too and keep pace with change – in terms of evolving markets, business models and technology – implying new ways of delivering financial services.

We have been responding: through our economic, financial stability and supervisory work related to geo-economic fragmentation[4]; through ensuring we are responding to the implications of AI across our organisation and our broad mandate;[5] and through how we are responding to the changing financial system and the changing nature of money, across all parts of the Central Bank.[6]

We also do so through our ongoing regulatory and supervisory work, ensuring firms are meeting the standards now – as well as ensuring that the regulatory framework and these standards are fit for the future. For we seek to deliver our mandate and our safeguarding outcomes through the cycle, and through change – be it geo or macro-economic, technological, or regulatory.

Doing delegation well

All of these themes are relevant to the final subject I would like discuss today, one I know is of particular significance for the Irish funds sector – that is, delegation by fund management companies.

Let me state our position clearly at the outset: the Central Bank recognises that delegation is an important feature of the European funds model – delivering benefits for investors and supporting a well-functioning European market.

Delegation allows fund management companies to access specialist expertise – in portfolio management, in risk management, in distribution – wherever that expertise resides.

It enables a model in which Irish-authorised funds can offer investors access to the best investment talent globally, while also benefiting from the stability of the legislative and regulatory framework that Europe provides. And it facilitates global capital flows through global portfolios benefiting from scale and from efficiency.

In this way, done well, delegation can serve the best interests of investors and the wider economy.

But like everything, delegation is only beneficial when it is done well – which means robustly and on the basis of the firm principle that boards cannot delegate away responsibility and accountability[7] – which means strong governance, meaningful oversight and substantive engagement with the risks and performance of delegated functions.

This has always been and remains our position, and is why our regulatory and supervisory work is so focused on delivering that outcome.

To support this we have articulated a clear framework for what we expect of fund management companies, and have undertaken a number of regulatory interventions and supervisory thematics over the last decade.[8]

And as the sector and the risk landscape continues to evolve, we will continue to do so– ensuring risks are well managed, responsibility is retained, and the framework and practices continue to be fit for purpose, both today and tomorrow, in the context of this change.

With this in mind, over the last year we engaged in a supervisory review of delegation practices in fund management companies, with a particular focus on governance, oversight arrangements, and the effectiveness of control frameworks.

For this work we surveyed all 121 fund management companies using both quantitative and qualitative methods. We then narrowed our focus to 41 deep-dive desk-based assessments[9], and ultimately conducted 21 onsite inspections of FMCs representing over 35% of Assets under Management.[10]

Today, we are publishing this review (PDF 268.09KB). and the findings of that work.[11] As set out in the review, our supervisory work found that fund management companies have implemented and recognise the importance of quality governance, decision-making, risk-management and control in meeting regulatory obligations and their responsibility to their investors.

These findings reflect the important progress that has been made over recent years, including in the implementation of the Central Banks' Fund Management Company Guidance, responding to our supervisory work and expectations, and responding to the demands of an evolving operating environment.

That said, the supervisory work also highlighted some areas where certain elements of governance arrangements and operating models in certain FMCs needed to be enhanced – including board independence, over-reliance on group level committees, resourcing concerns, lack of contingency planning and limitations with data access.

Such findings – both good practices and areas for improvement – underline our view that to ensure delegation delivers its important benefits for investors and European capital markets, it must be accompanied by robust governance and oversight.

Individual FMCs have already received their findings and corresponding supervisory actions. But to reinforce this, and to highlight to the broader sector what good looks like, and what we expect, we are publishing the findings of our review.

Our expectation of what good looks like is clear: governance must be substantive, not performative. Oversight must be real, not nominal. And the management company must be genuinely capable of fulfilling the role that regulation assigns to it.

This is lived and evidenced by the majority of fund management companies, delivering strong and resilient delegation oversight.

But as the sector and the risk landscape changes, so too does the nature of resilience.

Building for the future – responding to change

In this regard, our supervisory work also highlighted something I think we are all aware of – that the sector has changed significantly over the last decade, in terms of size, complexity and business models.

This comes alongside wider changes to the regulatory framework for financial services over the last few years, including the Individual Accountability Framework and AIFMD II review, as well as a fundamentally changing global risk landscape, including rapid technological change, that I have outlined today.

All of this emphasises my view that while openness continues to be a crucial part of Ireland and Europe's economic and financial sector model, resilience is becoming increasingly important.

Which, to repeat, is not just financial resilience and operational resilience, but also the resilience of governance frameworks and oversight arrangements, of which for the funds sector delegation is a crucial part.

And so as the sector's size, complexity and business models change, as the risk environment evolves, and as we rapidly transition to a technologically different world, the regulatory framework must evolve too – to ensure it is fit for the future, recognising the increasing importance of resilience and robust governance in the face of this change.

This is why we plan to undertake a review this year of our governance arrangements for fund management companies – to ensure governance and responsibility requirements are fit for this changing landscape, reinforcing both the resilience of the sector and the benefits of the delegation model.

This is in line with our commitment to Regulating and Supervising well – ensuring the regulatory framework supports a well-run, well-regulated and well-functioning sector operating in the best interest of consumers and the wider economy.[12]

Areas in scope of the review include simplifying and making clearer the Fund Management Company Guidance; simplifying, and reinforcing the PCF framework for fund management companies in line with our focus on simplifying the PCF framework more broadly; and enhancing our Governance requirements, including considering how we might proportionately apply the SEAR framework to the funds sector.

While we will do this in line with our simplification principles – including clarity, transparency and proportionality – as I have said before simplification does not mean no new rules. And proportionality cuts both ways – with more expected of larger and more sophisticated entities.

As we develop these proposals we will engage extensively with stakeholders, with the aim of consulting on changes in early 2027.

Conclusion

Let me sum up.

We are living through a time of significant challenge and change – most acutely in the form of geo-economic fragmentation and rapid technological transformation.

Navigating and capitalising on such changes requires the sector and regulators to be forward-looking – to continue to adapt, while sticking firmly to our principles.

In that regard, openness and innovation are two key pillars of our economy and our financial sector – and will continue to be.

But they only thrive when built on strong foundations – which for our financial sector means a strong regulatory and supervisory framework, with resilient, well-governed firms delivering in the best interests of consumers, investors and the wider economy.

Looking ahead, as the great Roman philosopher Seneca once said: fate leads the willing but drags the reluctant.[13]

And so we must be willing: willing to proactively respond to change, willing to reinforce our foundations, and willing to adapt – so that we continue to deliver a stable, resilient and trustworthy financial sector, fit for a changing world.

Thank you

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[1] Many thanks to Cian O'Laoide and Catherine Dwyer for their help preparing these remarks.

[2] McMunn Navigating and responding to change – resilience, innovation and regulation in the Funds Sector" June 2026

[3] See also Machado Technology is neutral, governance is not: AI adoption in the banking sector February 2026

[4] See for example Quarterly Bulletin No. 3 2025, FSR:I 2025 and RSO 25 (PDF 2.15 MB)

[5] See for example Quarterly Bulletin No. 1 2026 , FSR:I 2026 (PDF 0.98MB) and RSO 2026 (PDF 1.85MB)

[6] See for example DLT & Tokenisation in Financial Services Discussion Paper 12 (PDF 1.37MB) or Innovation Hub update 2025 (PDF 1.72MB)

[7] McMunn "Outcomes and Opportunities – responding to challenge and change" May 2025

[8] See for example: Fund Management Companies – Guidance (PDF 1.33MB) December 2016; Dear Chair Re: Thematic review of fund management companies' governance, management and effectiveness (PDF 614.8KB) October 2020; and Dear Chair Re: Follow up on thematic review of fund management companies' governance, management and effectiveness (PDF 125.01KB) December 2022

[9] Sample represented 30% of all fund management companies, €3.75trn AuM and 4,600+ funds

[10] Selection criteria included scale, complexity of strategies, location of delegates and output from desk based review. Sample represented 17% of firms, €1.9trn AUM and 3000+ funds

[11] Review of Delegation in the Irish Funds Sector - July 2026 (PDF 268.09KB)

[12] Regulating & Supervising well – a more effective and efficient framework (PDF 440.55KB)

[13] See Seneca the Younger, Epistles CVII