

## Central Bank Information Note on SFDR

The Central Bank of Ireland (the “Central Bank”) has published an Information Note (the “Information Note”) entitled “Sustainable Finance and the Asset Management Sector” to assist firms in ensuring compliance with the Sustainable Finance Disclosure Regulation (“SFDR”) requirements. This set out the findings of its “gatekeeper review” of investment fund disclosures under SFDR level 1 and its expectations regarding the implementation of Level II of the SFDR, as well as highlighting future supervisory intentions in this regard.

### Background

The Central Bank facilitated the orderly implementation of Level 1 of the SFDR and the Taxonomy Regulation through a streamlined filing process for prospectus updates, with managers certifying that updates contemplated met the relevant requirements. A sample of these filings was examined by the Central Bank as part of a “gatekeeper review”. Additional related requirements will apply from 1st January 2023 under Level II of the SFDR and the Central Bank will again be permitting the use of a streamlined filing process to ensure timely compliance. Additional guidance with regard to the requirements pertaining to Level II of the SFDR has already been issued through various correspondence and briefings from the European Supervisory Authorities (ESAs) and European Securities and Markets Authority (ESMA) and the Information Note provides further guidance in this regard to assist market participants in ensuring that investors and the market can have a high degree of trust and confidence in sustainable funds domiciled in Ireland.

### Gatekeeper Review

The intention of Gatekeeper Review was, taking into account the requirements of the SFDR level 1 and the Taxonomy Regulation, to determine whether the disclosures included in fund documentation helped provide investors with clear information to assess the sustainability characteristics of a fund, as well as to ascertain what sustainability risks may exist in a particular fund. It is important to be aware that these requirements are also relevant to other key initiatives such as the ESMA Common Supervisory

Action (CSA) on sustainability risks and disclosures which will also be applied in 2023.

### Key findings

The Information Note contains a range of findings which are cited by reference to the specific legislative requirements, as well as highlighting a series of good practices identified. The importance of ensuring that disclosures are accurate and kept under review is emphasised throughout. Misleading or inappropriate fund names need to be avoided and sufficient detail needs to be included to ensure confirmation can be assured of consistency with environmental or social characteristics stated to be promulgated.

### Supervisory Roadmap

The Central Bank has also highlighted topics which firms need to pay particular attention to in order to ensure their own ongoing compliance. For example, fund Managers are required to consider sustainability risks and factors when undertaking investment due diligence as part of their risk management framework and as part of their organisational procedures, the management of conflicting interests and risk management policies. Topics of relevance also include securities lending, fees and costs and the role of service providers.

### How Clerkin Lynch can help?

The asset management team of Clerkin Lynch assists clients to ensure compliance with the legislative requirements by working with them on related disclosures as well as underlying policies and procedures. Please contact us for a no-obligation discussion to find out more about our team and services.



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