



Commission for
Communications Regulation

Review of Eir's Regulatory Governance Model

Information Notice

Reference: ComReg 16/42

Version: Final

Date: 26/05/2016

An Coimisiún um Rialáil Cumarsáide

Commission for Communications Regulation

Abbey Court Irish Life Centre Lower Abbey Street Dublin 1 Ireland

Telephone +353 1 804 9600 Fax +353 1 804 9680 Email info@comreg.ie Web www.comreg.ie

Background to the review

On 7 December 2015, ComReg published an Information Notice¹ outlining its intention to conduct a review of Eircom Limited ("Eir") Eir's Regulatory Governance Model ("RGM").

In that document, the publication of Eir's August 2015 update to industry regarding Eir's regulatory governance was referenced:

"Eir's August 2015 update to industry raises a number of questions which give ComReg cause for concern. We also are concerned more generally at the long lead times experienced by alternative operators in certain cases where they have requested new or amended regulated wholesale products from Eir. In general, ComReg welcomes any measures which increase the likelihood of compliance with Eir's regulatory obligations and which increases transparency as to how such compliance is assured. While the development of Eir's Regulatory Governance Model may have the potential to be such a measure, nevertheless it is not yet clear to us that Eir's internal governance arrangements are sufficiently robust to serve the needs of industry, and ultimately end users."

ComReg also noted:

"we are of the view that it is now appropriate for ComReg to initiate a review of Eir's Regulatory Governance Model including the effectiveness of what Eir has done on a voluntary basis as well as the effectiveness of regulatory obligations "

ComReg has identified two broad work streams and has tendered for advisory services to assist on each. Following a procurement process, we have now appointed advisors.

- The "Governance" work stream will assess the suitability for regulatory purposes of the macro structural, governance and control environment within which the operational risk and control framework operates. It will address such issues as Eir's legal and management structure, the role of Eir's board of directors and senior management, the independence and governance arrangements for its wholesale arm, OpenEir, the existence and quality of independent oversight, the existence of suitable codes of conduct together with related HR matters such as training and performance management arrangements. ComReg has appointed KPMG to assist with these activities.

¹ ComReg Document No. 15/128 – "ComReg announces review of Eir's Regulatory Governance Model".

- The “Operations” work stream will review the adequacy of the control environment within Eir as it applies to operational business processes (including product development and the management of associated information). This will include an assessment of the risk management and control environment throughout the Eir organisation as it pertains to regulatory obligations. It will include a review of the completeness and quality of process documentation, the documentation of reports and the management of reports and information flows. Sample transaction testing of the operation of controls and the accuracy of source documentation will be required. ComReg has appointed Cartesian Limited to assist with this work stream.

The implications of the issues raised in Eir's August 2015 report and a recent update, from May 2016 will also be included in the review.

Objectives and Scope of the Review

The overall objective is to establish whether Eir's governance arrangements are and can be sufficiently robust to the extent that they demonstrate and ensure ongoing compliance with regulatory obligations. The outcome of the review will assist ComReg in identifying whether any further actions are required by Eir and/or ComReg.

Both the Operations and Governance work streams will have three phases.

- Preliminary phase. The primary purpose of this phase is to allow interested industry players to engage with ComReg's advisors and to allow the advisors to conduct an initial assessment of available material. The engagement with industry players has been communicated via ComReg industry fora.
- Phase 1: The focus of Phase 1 will be to gain an understanding of, inter alia, Eir's governance and risk and control environment as they relate to regulation. Phase 1 will also identify areas where more detailed systems and transactions testing will be needed as part of Phase 2. Precise timelines for this Phase 1 are subject to refinement depending on the outcome of the preliminary phase but it is envisaged to be complete by mid-Autumn 2016.
- Phase 2: Phase 2 will focus on more detailed sample transactions testing designed to reinforce the conclusions of the final reports. This phase will also entail the delivery of final reports and recommendations by our advisors. We envisage that this will be complete by year end 2016. This is, however, dependent upon the timely completion of Phase 1 as it will provide the inputs into Phase 2. We plan to publish these reports and depending on their contents, we may invite submissions on next steps.

Post Review Activities

ComReg will consider the outcome of Phase 2 in early 2017 and depending on the findings, ComReg may take further steps. We reserve our right to use any and all of our regulatory powers at that stage.

Other

Given the level of interest in this project we plan to publish any substantive written representations that we may receive. We also plan to publish further updates at suitable times. We believe that this will help ensure an appropriate level of transparency.