

Submission on Consultation Paper CP71 – Client Asset Regulations & Guidance

From Harmonic Fund Services Ireland Limited

Thank you for giving us the opportunity to review and comment on the draft client asset regulations, guidance and consultation paper. We have reviewed all and have the following comments:

- A) The Regulations and Guidance should expand on the definition of a Collection Account in terms of whether a Fund Service Provider is holding client funds. It appears from reading the literature provided that a collection account is a transitory or intermediary cash account, holding funds on behalf of investors which is then transferred to a fund, this does not take into account scenarios where there is no intermediary account, funds/cash directly hit an account in the name of a Fund and an investment firm/FSP has control/authorisation over such an account in terms of remittance of funds in the form of redemptions and distributions.
- B) The guidance paper should elaborate on how Firms can identify whether a Collection Account is deemed an asset of a Fund.

With regard to the 33 questions outlined in the consultation paper we agree with the majority of same and wish to comment on the following three:

Q3. Do you agree with the approach proposed to deal with instances where client funds are received but the firm has not identified the client or the necessary client paperwork is not complete? If not, please explain why.

Ans: We agree with the remittance of funds where the client has not been identified, however we believe the timeline for the remittance of funds should be extended from two business days to seven business days as this takes into account monies received from trading platforms or self clearing houses whereby a number of chains are involved in the routing the monies to a fund i.e. broker dealer in the US trades via Pershing who trades via the NSCC, the caveat being that funds should not be remitted in contravention to AML/CTF law.

Q6. Do you agree that a client's required margin should be better protected under the client asset regime? If not, please explain why. If you agree, please outline how this could be best achieved.

Ans: Yes. We feel this could be best achieved as outlined by the Central Bank in the Consultation Paper whereby the required margin is held in a designated client asset margin bank account and the firm would only have use of this money for the purposes of hedging the client's position.

Q31. Should this review be carried out more frequently than annually? If so, please explain why.

No.

We hope our feedback has been useful.