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Client Assets Specialist Team
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Central Bank of Ireland
Iveagh Court
Block D
Harcourt Road
Dublin 2

29 October 2013

RE: Client Asset Regulations and Guidance Consultation Paper, CP71

Dear Sir/Madam,

Investment Technology Group Limited (ITGL) is pleased to have the opportunity to comment on the Client Asset Regulations and Guidance Consultation Paper, CP71. ITGL's Managing Director, Mr. Michael Byrne participated in the Central Bank's Client Assets working group. ITGL is supportive of many of the objectives of the revised regulations and guidance. However, ITGL would like to respond on some of the proposed changes that it feels requires additional clarity or guidance to ensure effective implementation of the revised regulations and guidance.

ITGL has provided responses to the questions posed by CP71 in Appendix 1 to this letter.

Yours faithfully,

A handwritten signature in black ink that reads 'Shauneen Kay'.

Shauneen Kay
Compliance Officer, ITGL

APPENDIX 1

ITGL's responses to the Central Bank of Ireland's Client Asset Regulations and Guidance Consultation Paper, CP71. ITGL has provided responses to the questions listed in CP 71, the numbers below align directly with the Consultation Paper's sequential reference questions.

1. Do you agree that the Client Asset Core Principles encompass the key fundamental principles in protecting and safeguarding client assets? **Yes** If not, please explain why. **N/A**
2. Do you agree with the proposed wider scope in respect of 'client funds'? **N/A** If not, please explain why. **N/A**
3. 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? **N/A** If not, please explain why. **N/A**
4. Do you agree that the regulations should apply to funds that have been lodged into a Collection Account? **N/A** If not, please explain why. **N/A**
5. Do you agree for the purpose of segregating client assets and determining which clients are impacted if a third party fails, a firm should be able to identify where each individual client's assets are held? **Yes** If not please explain why. **N/A**
6. Do you agree that a client's required margin should be better protected under the client asset regime? **N/A** If not, please explain why. If you agree, please outline how this could be best achieved. **N/A**
7. Do you agree that the records should be retained for six years? **Yes** If not please explain why. **N/A**
8. Do you agree with the new approach proposed in respect of Facilities Letters and Confirmations? **No**. If not please explain why.

The Central Bank's requirements are applicable to Irish firms only. Firm's that do business outside of Ireland face challenging and lengthy negotiations with Custodians/Settlement Agents imposing Irish Regulatory requirements on them where they have no obligation to comply. Failure to get agreement on these very specific Irish requirements will result in a firm failing to conduct business in these countries. The Regulations should be sufficiently flexible to allow firm's to conduct business in global financial markets whilst ensuring that firm's adhere to the fundamental principles encompassed in the Client Asset Core Principles.

In addition, the terms proposed to be confirmed in the Facilities Letters and Confirmations should also be permitted to be included in the Custodian/Settlement Agent agreements where appropriate.

9. Do you agree that in the interest of protecting client assets, where a third party has not designated a client asset account/Collection Account as requested by the firm, these client assets should be withdrawn from the third party without delay? **Yes** If not, please explain why. **N/A**
10. Do you agree with the approach for reconciling client asset accounts that hold client funds? **Yes** If not please explain why. **N/A** If there are other types of accounts that do not readily conform to the frequency of reconciliations cited above, please provide details of same. **N/A**
11. Do you agree that client financial instruments should be reconciled at least monthly or should the reconciliation be performed in a lesser time period? **Agree that a monthly reconciliation is appropriate.** If so, please explain why.
12. Do you agree with the time allocation of ten days to complete these reconciliations or should it be performed in a lesser time period? **Agree that 10 days is appropriate to complete this reconciliation.** If so, please explain why. **N/A**
13. Do you agree that an investment firm should immediately make good or provide the equivalent of any shortfall in client financial instruments? **Yes** If not, please explain why. **N/A**

14. Do you agree that a Collection Account should be reconciled each time a transaction occurs on that account? **N/A** If not, please explain why. **N/A**
15. Do you agree that it is appropriate for a firm to report material reconciling items with the level of materiality determined by the firm? **Yes**. If no, please explain why. **N/A**
16. Do you agree with the components of an investment firm's Client Money Requirement and Client Money Resource? **Yes** If not, please explain why. **N/A**
17. Do you agree with the Central Bank's approach to the computation of the Client Money Requirement and Client Money Resource for FSPs? **N/A** If not, please explain why. **N/A**
18. Do you agree that a firm's Client Money Resource should only contain what it is required to hold for its clients on a given day? **Yes** If not, please explain why. **N/A**
19. Do you agree that the reporting of an investment firm's Client Money Resource shortfall should be investment firm specific based on its materiality appetite? **Yes** If not please explain why. **N/A**
20. Do you agree that a statement should be provided on an annual basis or should it provided on a more regular basis? **No**. **The Regulations should be sufficiently flexible to permit exemptions from providing client statements where it is not relevant to a firm's business model. Agency style brokers execute client orders at a point in time. Providing client statements is not relevant to this business model.**
21. Do you agree that a) to g) above will provide clients with sufficient information regarding their holdings? If not please explain why, providing details of additional information which should be included. **Please see comment above in 20.**
22. Do you agree that a Fund Service Provider should issue a receipt to the client? **N/A** If not, please explain why and put forward an alternative approach that will provide confirmation to a client that his/her money is deposited in a Collection Account. **N/A**
23. Do you agree that an investment firm should seek prior written consent from its client in respect of the circumstances listed in a) to h)? **No**. If not please explain why, providing details of additional circumstances which should be included. **The current Client Asset Regulations require notification only in respect of some of the provisions listed in a) to h). To obtain *prior written consent* imposes additional lengthy discussions on firm's when on-boarding clients. We have to date not experienced any issues with client notifications in this regard. The Regulations should permit flexibility in this requirement taking account of a firm's client base, i.e., retail, professional, ECP.**
24. Do you agree that a FSP should obtain prior written consent from a client in respect of the circumstances listed in a) to c) above and with the medium used to obtain this consent? **N/A** If not please explain why, providing details of additional circumstances which should be included. **N/A**
25. Do you agree that the CAKID will better inform the client with a greater understanding providing information in clear plain English that will equip the client to comprehend where and how his/her assets are held when deposited with a firm? If not please explain why.

Yes, the CAKID will better inform clients and provide additional information on where and how a client's assets are held by a firm. However, ITGL would like to raise the following points in the proposed Regulation and Guidance with regard to the CAKID:

G6 (12) g "The firm may also wish to refer to any additional controls in place to ensure that clients' investments are protected".

Clarity is required if this additional disclosure is optional or required. The inclusion of a firm's internal controls in the CAKID is likely to increase the frequency of updating of this document. Without any clear benefit for clients who may receive updates on non material minutiae, the impact to a firm is a potential increase in the administrative burden of maintaining an up-to-date document and written notifications to advise clients of such updates. At least, the rule should be clear that the CAKID should be amended only if there are material changes to any such additional controls.

G6 (12) g "A firm should also explain the checks/reviews/reconciliations it undertakes to any third party custodian(s) used".

As noted above, changes to a firm's internal controls will require regular revisions to the CAKID. The impact to the firm is an increase in the administrative burden of maintaining an up-to-date document

and written notifications to advise clients of such updates. At least, the rule should be clear that the CAKID should be amended only if there are material changes to the procedures or processes for checking/ reviewing/ reconciliations it undertakes in respect of any third party custodian(s) used.

Regulation 6.(22) "The CAKID shall be provided on a durable medium and all information shall be equally prominent".

Clarity is required if a durable medium includes posting the CAKID on the firm's internet webpage.

G6 (14) "Where the information is found to be inaccurate, and a firm is holding client assets for the client, it should inform the clients, documenting in its CAMP the medium it will use to notify its clients".

The current guidance implies that an inaccuracy in the CAKID would trigger a notification to a client for which client assets are held. However, clarity is required to determine the materiality of the inaccuracy and resulting impact to the security of a client's assets which would trigger such a disclosure. The look back period for client notifications when an inaccuracy is determined as well as whether the rule applies only to existing clients should also be clarified.

Regulation 6.(26) "A firm shall inform clients who have been provided with a CAKID within one month in writing of any material changes to this Document".

Clarity is required if disclosure on a firm's internet webpage or email notification to clients meets this requirement.

26. Do you agree with the need to provide the CAKID to both existing and new clients distinguishing clients of an investment firm and a Fund Service Provider as outlined above?

We agree that the CAKID should be provided to new clients of the firm at client take on and to existing clients, at the time of the commencement of these Regulations, within 3 months.

If not please explain why. **N/A**

27. Do you agree with appointing a person to the role of CAOR which will be a pre-approved controlled function? **Yes we agree to the appointment of a CAOR. However, we do not concur that the appointed individual should be a director but rather an individual with senior management experience who has direct access to the Board for all matters Client Asset related. If not, please explain why? N/A**
28. Do you agree with the responsibilities of the Client Asset Oversight Officer as provided for in a) to g) above? **Yes we agree with the responsibilities for the CAOR. If not, please explain why, providing details of additional responsibilities which should be. N/A**
29. Do you agree with the purpose of the CAMP and the minimum that should be included in this document? **Yes** If not, please explain why, providing details of additional records which should be included. **N/A**
30. Do you agree that Regulation 8.(3) provides for what should be included in a CAE? **Yes** If not please explain why. **N/A**
31. Should this review be carried out more frequent than annually? **No** If so, please explain why? **N/A**
32. Do you agree with the type of assessment that should be carried out on the firm's initial CAMP by an independent external expert? **No. The requirement to engage an independent external expert may not be meaningful given that they will not be familiar with the firm's business model and the existing client asset programme. A firm's auditor may be better placed to conduct this review of the initial CAMP.**
33. Do you agree that 3 months is sufficient time for a firm to obtain an assessment of the CAMP from an independent external expert? **No.** If not, please explain why. **Firms should be afforded a six month period from the date of the taking effect of the Regulations to complete their own internal assessment of the initial CAMP that has been put in place. This will allow firms sufficient time to complete their own internal audit of the initial CAMP and make the requisite changes prior to engaging with an independent expert for a third party opinion as provided for in the Transitional Regulation.**