



CP 100 Consultation  
Markets Policy Division  
Central Bank of Ireland  
Block D, Iveagh Court  
Harcourt Road  
Dublin 2

15 March 2016

**CP 100 - Submission by HSBC Securities Services (Ireland) Ltd. ("HSSI")**

Dear Sirs,

Thank you for the opportunity to comment on the above consultation paper. In general terms, HSSI is supportive of the approach being suggested by the Central Bank. In particular, the relatively non-prescriptive nature of the Draft Regulations and Guidance is welcomed. Whilst the business and operating model of fund administrators has become more complex in recent years, the nature and extent of risk borne by these firms remains sufficiently differentiated from Credit Institutions and MiFID firms such that the direct application of CRR to fund administrators does not, in our opinion, make sense.

However, we do have a number of comments that we wish to make.

**Wind Down Plans**

The draft regulations require Fund Administrators to have wind down plans and the draft guidance provides some insight into the Central Bank's expectations as to the content of such plans. HSSI would argue that further debate is required with the Central Bank to better understand what the expected outcome of this requirement is before introducing the requirement into regulation. In addition, we question the appropriateness of the requirement being introduced as part of an initiative with respect to capital planning, when in fact much of the guidance talks to the adequacy of operational arrangements in place to effect an orderly hand over to an alternative administrator. We recommend a working group be established involving fund administrators and the Central Bank to better define this entire area. HSSI would be happy to participate in this forum.

**Risk Taxonomies**

The Draft regulations and guidance are quite prescriptive when it comes to articulating the various forms of risk that capital plans are expected to cover. Most Fund Administrators use their own risk taxonomies to identify, manage and report risks on an ongoing basis. The Central Bank has sight of these taxonomies through its ongoing PRISM engagement. We would suggest that flexibility be built into the draft regulations and guidance to allow fund administrators use their own risk taxonomies where the Central Bank is comfortable that the risk taxonomy in use is effective in covering off all risks being borne by the individual firms.

**Liquidity Risk**

The draft regulations includes specific requirements with regard to liquidity risk. Depending on the profile of the firm, these requirements may or may not be relevant to the operating model of the fund administrator. We question why liquidity risk has been singled out for additional requirements in the regulations and would argue that for a number of firms, this requirement does not add anything in terms of understanding risk profile. We would suggest that Section 101 (2) instead be included in the

**HSBC Securities Services (Ireland) Limited**  
1 Grand Canal Square, Grand Canal Harbour, Dublin 2  
Tel: 00353 1 635 6000 Fax: 00353 1 649 7500

*Directors: Alan Duffy, James Finn (US), Tony McDonnell, John Weedle  
Registered in Dublin, Ireland: Reg No. 181765 V.A.T. 6381765H  
HSBC Securities Services (Ireland) Limited is regulated by the Central Bank of Ireland.*

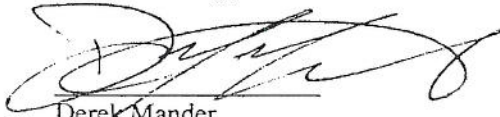
guidance notes, where each firm can adopt a "comply or explain" approach depending on individual fact patterns.

**Guidance - Stress Tests and Scenario Analysis**

Page 6 of the Draft guidance provides detail on the various elements to be included in the documentation of tests. We would suggest that this guidance is overly prescriptive and indeed complicated. Whilst the business and operating models of Fund Administrators have become more complex over time, they remain more straightforward than those of Banks and other, more capital intensive firms. Balance Sheets are typically not material and the use of statistical models, identification of risk correlations and back testing may not be necessary or indeed appropriate in helping firms produce robust internal capital assessments.

We would welcome the opportunity to discuss CP 100 with you in more detail and we remain broadly supportive of the direction being taken.

Yours sincerely,



Derek Mander  
Chief Risk Officer

**HSBC Securities Services (Ireland) Limited**  
1 Grand Canal Square, Grand Canal Harbour, Dublin 2  
Tel: 00353 1 635 6000 Fax: 00353 1 649 7500

*Directors: Alan Duffy, James Finn (US), Tony McDonnell, John Weedle  
Registered in Dublin, Ireland: Reg No. 181765 V.A.T. 6581765H  
HSBC Securities Services (Ireland) Limited is regulated by the Central Bank of Ireland.*