

Markets Policy Division
Central Bank of Ireland
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By email to INVFIRMSpolicy@centralbank.ie.

Consultation on enhancements to the Central Bank Client Asset Requirements, as contained in the Central Bank Investment Firms Regulations (“the Consultation Paper”)

Chartered Accountants Ireland welcomes the opportunity to comment on the enhancements to the Central Bank Client Asset Requirements (“the Requirements”).

We have a number of overall comments and have addressed the specific questions raised in the consultation paper where they have a direct impact on the assurance work carried out by our members. Where we feel there is no direct reporting impact we have not provided any comment.

Overall comments

We note the proposed change to bring credit institutions within the scope of the Requirements and we welcome this proposal.

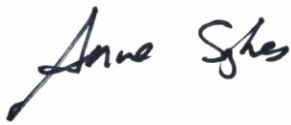
We note that this change in scope, along with the other changes proposed in the Consultation Paper are likely to give rise to operational complexities for Investment Firms. We would welcome guidance on such matters from the Central Bank as and when such complexities arise.

The proposed change in scope and other enhancements will give rise to an increase in the work effort required by the external auditor to complete the Client Asset Examination. In this regard, and in line with the areas for future consideration noted in paragraph 173 of the Consultation Paper, we welcome further engagement with the Central Bank in relation to the nature and scope of the Client Asset Examination, in order to ensure that the assurance framework is fit for purpose and meets the needs of key stakeholders.

In particular, we would welcome engagement with the Central Bank in developing updated guidance and illustrative reports for firms and their auditors.

If you have any questions on any of the comments in this response please do not hesitate to contact me at anne.sykes@charteredaccountants.ie or on + 353 1 6377313.

Yours sincerely



Anne Sykes

Secretary

Audit and Assurance Committee

Chartered Accountants Ireland

Question 1: Do you agree with the proposal to extend the scope and application of the CAR to credit institutions undertaking MiFID investment business? If not, please explain why.

Yes, we agree with the proposal to extend the scope and application to Credit Institutions undertaking MiFID investment business. This will allow for a common framework for all firms that hold client assets.

Question 5: Do you agree with the proposal to introduce additional disclosure requirements in the CAR for credit institutions undertaking MiFID investment business on behalf of clients, in order to provide clarity to clients as to how their money will be held and protected? If not, please explain why.

We have no objections to the proposed disclosure.

Question 22: Do you agree with the Central Bank's proposal to clarify in the CAR guidance the expectation that client funds should be deposited directly into a third party client asset account? If not, please explain why.

Chartered Accountants Ireland welcomes the proposed clarification in the CAR guidance in relation to the Central Bank's expectation that client funds should be deposited directly into a third party client asset account.

Question 26: Do you envisage any barriers to conducting this reconciliation on at least a monthly basis? If so, please explain these barriers.

Chartered Accountants Ireland welcomes the inclusion of the current guidance contained in Guidance Note G5 (1) (b) in the regulations.

Question 27: Do you agree with the Central Bank's proposal to enhance Regulation 57 to expressly require investment firms to conduct a reconciliation of physical client financial instruments?

We welcome the inclusion of the current guidance contained in Guidance Note G5 (1) (d) in the regulations. We would welcome the Central Bank of Ireland's provision of additional guidance on its expectations where physical counts may not be possible such as in the current COVID 19 pandemic.

Question 28: Do you agree that the reconciliation of physical client financial instruments should be conducted on at least a monthly basis? If not, please explain why.

In respect of the annual client asset engagement, what are the Central Bank's expectations in respect of testing the controls for the physical count have operated during the period under examination? We could welcome discussion on whether the auditor will attend some / all of the counts of physically held client assets in order to test this control is operating effectively.

Question 29: Do you agree with the Central Bank's proposal that investment firms should follow the process as set out in Regulation 57(7) of the CAR in order to address a reconciliation difference or discrepancy identified through any reconciliation process? If not, please explain why.

We would welcome guidance on this matter from the Central Bank.

Question 33: Do you agree with the Central Bank's proposal for investment firms to maintain a record of the actions it has taken in respect of the remediation of a reconciliation difference or discrepancy? If not, please explain why.

We would welcome guidance from the Central Bank on how this would apply in practice.

Question 35: Do you agree with the Central Bank's proposal to enhance the CAR to require investment firms to develop and maintain a Client Asset Applicability Matrix within the CAMP? If not, please explain why.

We agree with the proposal to enhance the CAR, however additional guidance would be welcomed from the Central Bank in this regard, particularly in respect of what should be included within the Client Asset Applicability Matrix and how often "ongoing" assessment should be conducted.

Question 37: Do you agree with the Central Bank's proposal for investment firms to include a reference to the location of its internal client asset breach and incident log in the CAMP? If not, please explain why.

Yes, we feel that including it within the CAMP is appropriate.

Question 38: Do you agree with the Central Bank's proposal to require investment firms to include the information set out in Paragraph 1(9) of Schedule 3 to the MiFID Regulations in the CAMP? If not, please explain why.

We feel that it would be useful to get further guidance from the Central Bank on their expectations of what should be included in the Applicability Matrix and the Risk Matrix.

Question 39: Do you agree with the proposed enhancements to the CAR guidance as set out above as they pertain to:

- a. Client Asset Risk Matrix.
- b. Client asset account flows.
- c. IT systems and controls.
- d. Access to critical systems.
- e. Operational and governance structure.
- f. Books and records.
- g. Compensation schemes; and
- h. Reconciliation and daily calculation processes? If not, please explain why.

As with question 38 above we feel that it would be useful to get further guidance from the Central Bank on their expectations of what should be included in the Applicability Matrix and the Risk Matrix.

Question 41: Do you agree with the Central Bank's proposed approach for the CAR guidance on the structure of the CAMP? If not, please explain why.

Yes, we believe that the guidance provided would be useful.

Question 44: Have you identified areas of the client asset regime that warrant consideration, in particular in light of new or evolving business practices, financial innovation, or advancements in technology?

Guidance from the Central Bank would be welcome on the alignment of the client asset examination required under section 69 2 (c) of the CAR and the report required under paragraph 7 of Schedule 3 to the MiFID Regulations.