

By email to invest.consult@centralbank.ie

Goodbody Stockbrokers
Ballsbridge

Emily Shea,
Investment Service Providers Supervision,
Central Bank of Ireland
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Davy Stockbrokers
Dawson Street

6th May 2011

Consultation Paper CP52 Proposed changes to regulatory reporting requirements for Irish investment firms ('CP 52').

Dear Ms Shea,

We welcome the opportunity to provide you with comments in respect of CP52. At the outset we would like to draw your attention to the fact that this submission covers only phase 1 of the consultation process and we intend to provide the Central Bank with comments in respect of phase 2 in a separate submission prior to the required deadline. We welcome the initiative to amalgamate a firm's reporting requirements into one document, however, we require clarification on a number of points. While we acknowledge that the online reporting system is out of scope for this submission we would flag the fact that given the potential material administrative burden this will place on firms it is imperative that an appropriate level of support, training and lead in time is provided prior to implementation.

As a general comment, we believe that it would be beneficial to define the terminology used specifically regarding the use of the term Client Funds, Client Assets and Assets under Management. We understand the term Client Funds and Client Assets to have the same meaning as is defined in the Client Asset Requirements and also presume that Assets under Management refers to Client Assets under Management.

We also note that the reference to figures being rounded to the nearest million appears to have been omitted and we would request that this is reinserted to the reports.

For ease of reference we have repeated each of the questions and where we have comments, these are noted underneath.

Question 1: Do you agree with our view that the implementation of the FINREP framework will not pose a significant issue for firms reporting in Irish GAAP? Please explain your answer.

Goodbody already report under IFRS.

Davy - We already implement Fair Value Accounting through FRS 25 & 26 and therefore do not envisage significant issues around reporting under an IFRS framework. However we would seek guidance on how to report our trade payables/receivables and other debtors/creditors balances in the Assets and Liabilities submission templates (1.1 & 1.2) as there does not appear to be an appropriate category under the IFRS templates for these items.

Question 2: Irish GAAP gives the option of whether or not to adopt FRS 25 (IAS 32) *Financial instruments: Disclosure and presentation* and FRS 26 (IAS 39) *Financial instruments: Recognition and measurement* to certain unlisted companies. Do you believe that this will pose any difficulty for firms reporting in Irish GAAP with respect to the implementation of the FINREP framework? Please explain your answer.

As above.

Question 3: Upon reviewing the format and content of the non-core tables that we have selected for implementation, do you agree that the selected tables are appropriate for Irish investment firms?

Yes. We agree they are appropriate.

Are there any tables that you believe are not appropriate?

We are unsure as to what information is required in 16c , 24c. and 25.

All information in Table 16 is not applicable to Davy. GBS have a defined benefit plan so it will be applicable to them.

Are there any other tables from the FINREP suite that you believe should be included? A detailed response here would be appreciated.

None.

Question 4: Do you believe that the proposed 20% criterion for the variance analysis on FINREP core tables is appropriate? Please detail your views.

We currently report variances over 20% and we feel this is an appropriate level.

Question 5: Do you have any other general comments on the FINREP proposals outlined in Section 2.1? If so, please provide detail.

We believe the requirement of manually inputting audited financial statements into the new FINREP system is very onerous, time consuming and unnecessary considering these will be also submitted in hard copy.

In addition could you please confirm that the proposed FINREP returns will be an annual requirement for firms in respect of the Core and Non Core tables.

Question 6: What is your opinion in relation to the categories included in each of the following sections on Table 2.2?

The categorisation seems appropriate.

Do you believe that any of the categories should be excluded? No

Do you believe that there are any additional categories that should be included? No

Please give reasons for your answers.

- Section (A) Expenses - this is appropriate**
- Section (B) Other Assets - this is appropriate**
- Section (C) Other Liabilities - this is appropriate**
- Section (D) Other Reserves - this is appropriate**

Question 7: Do you have any other general comments on the proposals outlined in Section 2.2? If so, please provide detail.

Could you please clarify the proposed submission timetable. A simple matrix detailing the required reports and the related deadlines for submission would be helpful and would avoid any possible misinterpretations.

Question 8: For each of the four sections (A) to (D) of Table 2.3 *Stockbrokers Revenue Analysis* could you please provide comment on the suitability of the categories that are included and the information that is requested. Please include any additional suggestions.

Goodbody

There is nothing that distinguishes a market making trade from any other trade and therefore we cannot split proprietary trading between market making and other .

Davy

We cannot split out proprietary trading gains into market making activities and between Corporate and Government bonds. We believe that two categories (Bonds and Equities) would be the most appropriate classification and the remaining categories are not relevant.

In addition we believe the classification of splitting Bond Commissions between Government Bonds and Corporate Bonds is irrelevant and that Bond commissions are reported as one figure

Question 9: In your opinion, are there any other categories of Irish investment firms that should complete this return? Please explain your answer.

No, the Revenue streams would not be applicable to Non stockbroking investment firms.

Can you confirm this is required quarterly as we currently submit audited financial statements annually, and management accounts (Profit & Loss and Balance Sheet) quarterly.

Question 10: Do you have any comments or suggestions in relation to Table 3.1 *Weekly Stockbroker Report*? Suggestions may relate to the format, content and frequency of submission. Please explain any suggestions in detail.

Yes. We query why #4 & #5 on unsettled Sales & Purchases are requested. Is this not collected in #8 ? We also believe the frequency of this report should move to monthly reporting.

Question 11: Do you have any comments or suggestions in relation to Table 3.2 *Monthly Metrics Report*? Suggestions may relate to the format, content and frequency of submission. Please explain any suggestions in detail.

We interpret material issues as relating to any movement of 20% or more on any of the figures in the report. We will report such a movement as a “material issue” and explain why it has happened.

Please clarify the meaning of two of the new fields added to the Monthly Metric Report; namely ‘Cash and Bank’ and ‘total number of Professional and Retail clients’.

- We understand that the new field ‘Cash and Bank’ is intended to capture the total amount of funds held by the firm, including Firm and Client Funds. Can you confirm whether our understanding is correct?**
- Is the term ‘total number of clients’ intended to capture ‘Eligible Counterparties’ as well as ‘Professional’ and ‘Retail’ clients?**

Question 12: Do you have any comments or suggestions in relation to Table 3.3 *Quarterly Client Funds Report*? Suggestions may relate to the format, content and the revised frequency of submission. Please explain any suggestions in detail.

We have a general concern about reporting on our top 3 clients – we cannot see the relevance of this except in a risk concentration scenario. Could we report this information without naming our clients ? Could we introduce a reporting threshold above which a client would be named e.g. if an individual clients funds exceed 5% of total client funds held they are reportable ?

We have a general concern about reporting personal information regarding the top 3 clients. As the Central Bank will appreciate, this information is highly sensitive. Consequently it is important for the Central Bank explain the reason for requiring this information including what purpose it serves and an explanation of what the Central Bank intends to do with this information. We would welcome further detail or explanation on this matter.

Question 13: Do you have any suggestions in relation to Table 3.4 *Capital Adequacy Statement*? Suggestions may relate to the format, content and the frequency of submission. Please explain any suggestions in detail.

None.

Question 14: Do you have any comments or suggestions in relation to Table 3.5 *Quarter-end Assets under Management and Fee Income Submission*? Suggestions may relate to the format, content and the revised frequency of submission. Please explain any suggestions in detail.

We would like to take this opportunity to query the relevance of certain asset categories contained in this report. The report appears to combine client type and asset category; for example corporates (client type) and tracker bond (asset category). Furthermore it is unclear to us from the consultation paper as to why certain categories of instruments have been selected. We would welcome clarification as to the purpose of the chosen categories. We also believe that it may be more useful for firms to provide a breakdown of asset categories more closely matched to MiFID [for example fixed income, equities, investment funds etc].

In terms of the new fields proposed we suggest that a definition of the term ‘venture capital’ would prove useful. We understand this to refer to the provision of medium to long term finance in return for an equity stake in a company. We believe that the current term is very broad.

As above, we don’t understand the reasoning in providing specific details on clients.

A general point on timetable and frequency. We feel all deadlines should refer to working days rather than calendar days. If it is calendar days this may impose extra costs on the firms i.e. overtime. Whilst any one deadline is achievable on the 20th working day, the fact is that several returns are now all due at the same time. Rather than stagger the reporting dates we would suggest the deadline is moved to 25 working days after the quarter end for all returns.

If you have any queries and/or require any further clarification in respect of the above please contact Johnny Cleary in Goodbodys or Peter Newman in Davys.

Yours sincerely

**Johnny Cleary
Financial Controller
Goodbody Stockbrokers**

**Peter Newman
Chief Financial Officer
Davy Stockbrokers**