Delta Partners Limited.

Submission in response to CP 52, sections 2 & 3.

Section 2.1

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?

This can only be answered in the context of the particular circumstances of each firm. As for our firm, we have not carried out a detailed analysis of what these changes will involve, as we have not, up to now, considered such a move (to IFRS). Irish GAAP has been more than sufficient for proper measurement and reporting of the business.

Question 2. Irish GAAP gives the option of whether or not to adopt FRS 25 and FRS 26. Do you believe that this will pose any difficulty for firms reporting in Irish GAAP with respect to implementation of the FINREP network?

This is not something that can easily be answered. It will depend on the particular circumstances of each firm. As for our firm, we have not carried out a detailed analysis of what these changes will involve, as we have not, up to now, considered such a move (to IFRS).

Question 3. Upon reviewing the format and content of the non-core tables that we gave selected for implementation, do you agree that the selected tables are appropriate for Irish investment firms? Are there any tables that are not appropriate? Are there any other tables from the FINREP suite that you believe should be included? A detailed response here would be appreciated.

We note the regulator's statement under clause 23 that the requirement to submit non-core tables will be assessed by supervisors on a firm-by-firm basis. Except for Ref 22, in respect of changes in equity, we strongly suggest that venture capital managers, such as Delta Partners, be exempted from the need to fill in the remaining 19 non-core tables. Given the simple structure and business model of venture capital firms, the submission of the four core tables should adequately satisfy supervisory requirements.

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

I think that the concept of a commentary on variance is useful. 20% is appropriate but it needs to be further qualified by reference to Net Asset Value, in the case of balance sheet items, and to Revenue, in the case of the income statement For example, if I have an expense line in the income statement that is 1% of my overall revenue, I hardly need to comment where it has moved by 20%, as in overall terms, it is immaterial. However, if I have a line item (such as Salary) that is, say, 50% of my expense, then a 19% change in that line is worthy of comment, even if it is not quite 20%. I suggest that the trigger needs to be a combination of the size of the variance in percentage terms coupled with a measure of its materiality.

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

You might clarify if there are two or five core schedules. Clause 22 states the former while Table 2.1a states the latter. In framing our reply we have assumed that Table 2.1a is correct.

Given your own analysis, that 80% of the investment firms do not report under IFRS, (and as IFRS is largely the preserve of quoted firms, it is most probably it is the larger firms that do), the regulator should be clear as to the benefit of such a move and the necessity for such standardisation before committing 80% of the firms, probably the smaller ones, to the expense and effort of switching to IFRS.

Section 2.2

Question 6: What is your opinion in relation to the categories included in each of the following sections on Table 2.2? Do you believe that any of the categories should be excluded? Do you believe that there are any additional categories that should be included? Please give reasons for your answers.
- Section (A) Expenses
- Section (B) Other Assets
- Section (C) Other Liabilities
- Section (D) Other Reserves

We believe that the categories as proposed are appropriate.

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

No.

Section 2.3

We have no comments on this section, Stockbrokers Revenue Analysis.

Section 3.1

We have no comments on this section, Weekly Stockbrokers Report

Section 3.2

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 feel that this report, which was introduced as a temporary measure after the banking crisis in 2008, should not continue to be required of venture capital firms. The letter which introduced the reporting stated the following "*The Financial Regulator is seeking to temporarily enhance its current monitoring and oversight of the operations of investment firms to ensure that the industry continues to be well placed to withstand adverse economic and sector developments in the short to medium term. In this regard, we are seeking a limited amount of information from each investment firm on a monthly basis*."

It is overkill for firms such as ours. Venture capital firms, by their nature, have a business model that is stable over longer periods of time. Their accounting cycles are quarterly, both in terms of investor reporting and measurement of their internal metrics. There is no need to move to monthly reporting for businesses such as ours. As this report is not mandated by European Directive, the supervisor should have discretion to exempt certain classes of firm on a case by case basis, and we would seek such an exemption for venture capital firms.

In terms of the content of the report, the term "Assets under management" needs to be defined for venture capital firms. We would recommend that it be the cost of the current portfolio of investments, plus cash balances. This is the simplest method and not subject to differing valuation approaches at different firms.

As of now, Delta Partners, in common with most venture capital firms, does not compute it income statement monthly, rather it operates on a quarterly cycle. While it is possible to quote debtor and bank balances at any point in time, the requirement for income, expenditure and profit to be stated monthly will require a frequency of accounting cycle, and associated resource, not required by the business. We also submit that it is not required for proper supervision of the business by the regulator.

Section 3.3

As we do not hold Client Money, we have no comments on this section.

Section 3.4

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.

No. The table seems similar to the current one and should not cause a problem.

Section 3.5

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.

The proposed frequency will not cause a problem. In terms of the content of the report, the term “Assets under management” needs to be defined for venture capital firms. We would recommend that it be the cost of the current portfolio of investments, plus cash balances. This is the simplest method and not subject to differing valuation approaches at different firms.