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27 May 2011

Ms. Emily Shea
Investment Service Providers Supervision
Central Bank of Ireland
Block D Iveagh Court
Harcourt Road
Dublin 2

Re: Consultation Paper 52:
Proposed changes to regulatory reporting
Requirements for Irish investment firms (Section 4 and 5)

Dear Ms. Shea,

Members of the Irish Association of Investment Managers are pleased to have the opportunity to comment on the proposals contained in Sections 4 and 5 of CP52. IAIM members manage approximately €250 billion on behalf of Irish and international clients.

You will note from the answers to the questions posed in the CP that our members primary concerns relate to guidance in certain areas, the flexing of requirements based on risk and the concentration of reporting deadlines. As with any suite of reporting requirements it will be important to have clarity of definitions when they come into force.

1. Proposed new Returns

Our members repeat some general observations made in response to Part 1 of this consultation process.

- The benefits of an ability to report in €'000s or €millions.
- The concentration of reporting obligations falling on the 20th day after quarter end. We suggest that the 20th working day would be more appropriate or request the Bank to examine some staggering of the reporting deadlines for the various returns. We note that COREP and CAD deadlines are 20 working days.



(a) Liquidity Returns

Members would like the implementation guidance to provide clarity on the treatment of cash deposits with terms of more than two weeks to maturity. (Q15)

We also believe that 30 day deposits might reasonably be considered liquid and note that a time to cash period of 30 days would be aligned with firms' creditor terms and conditions.

While IAIM members believe that the content of Tables 4.1b/c is broadly appropriate (Q17) we have concerns with other aspects of the cash flow analysis. IAIM members do not deal on own account and income and costs tend to be stable on a quarterly basis. For firms who do not engage in proprietary trading we suggest the Bank consider that cash flows be depicted quarterly rather than monthly. It is in the nature of projected data that the reliability of estimates declines as the time horizon expands. The Bank might wish to give consideration to limiting the prospective data to 3 months (Q18).

The Association understands that these new reports will allow the Bank to gain a greater understanding of the profiles/risks of regulated firms. In the event that the Bank believes, initially, that the frequency and detail as suggested is necessary we hope that the requirements for well funded, lower risk firms might be adjusted subsequently to longer intervals commensurate with their profiles (Q19).

The Consultation Paper acknowledges that the degree of liquidity risk faced by investment firms is not as systemically important as it is in the banking sector (paragraph 53). Some investment firms operate business models which have, in turn, even lower levels of liquidity risk. As the Bank, through the new reporting requirements, becomes more familiar with the characteristics of regulated entities it may be possible to integrate the objectives of the liquidity reports with the Monthly Metrics Report for some firms.

The Bank will now gather data each month on the Company's cash and cash equivalent balances and on debtors through the Monthly Metrics Report. In itself, this could serve as an early warning mechanism for liquidity issues, rather than the implementation of a quarterly liquidity return. Perhaps the monthly template could be amended to gather data on the value of financial liabilities as well as liquid assets in order to contextualise the liquidity position of the business.

We would suggest that the requirement to complete a Liquidity Return should be on a case by case basis, focused on "at risk" firms (as determined by the Bank). The determination of risk could be with reference to (1) the overall capital adequacy of the firm in question (2) the performance of the cash balances of the entity (per the Monthly Metrics Report and (3) the level of liquid assets in the equity composition of the business (v. financial liabilities).



We would suggest that the analysis of debtors and cash at bank (from the Monthly Metrics Report) together with the asset concentration report would provide the desired information around liquidity without the need for a separate report.

(b) Asset Concentration Report

Member firms had no strong observations on this proposed report but question its value for firms who do not trade on own account.

(c) Error and Breach Reporting

Our members make the following general points.

As part of the MiFID working group review of the organisational and internal controls requirements and specifically the breaches reporting requirements under the Supplementary Supervisory Requirements (SSR), the (then) Financial Regulator confirmed that the Guidance note for regulated financial service providers in reporting compliance concerns to the Financial Regulator does not conflict with the provisions of Requirement 1.2 of the SSR and that the indicators specified in Part 4 of the Guidance Note, which should be considered by firms in determining when to report concerns to the Regulator, will still apply. In addition, the Financial Regulator confirmed that, in accordance with Part 5 of the Guidance note, firms may establish definitively the facts of a compliance concern where appropriate and compelling reasons exist to do so, before making a report to the Regulator as soon as possible thereafter.

Point 73 in the CP states that '*MIFID firms will be able to access and submit it immediately upon discovering an error or breach*'. It would be worth confirming that the provisions of the guidance note are still applicable in a firm's determination of which breaches/errors fall to be reported.

Under the heading of 'material operational incident', it would be helpful if there was some guidance/thresholds on what the Bank would consider to be a material breach of internal procedures. Can the criteria in the guidance note be applied?

(d) ICAAP Report

IAIM members observe that firms differ in their approach to governance structures. Some may have Board Committees for a wider range of activity than others who may have committees of senior executives whose reports/activities are overseen by the Board as a whole. We suggest that question 6 be reworded to facilitate these differences in approach (Q25 (i)).

Both regulated firms and the Bank are in the early phases of post ICAAP implementation. We would welcome further guidance from, or workshops with, the Bank on its expectations of the processes adopted by firms. In particular we would welcome guidance on 'orderly wind down' and 'stress/scenario testing'. Our members also ask



the Bank to consider Table 4.4 as a replacement for the portal – particularly for firms who do not deal on own account.

(e) Disclosures Reporting Template

Some guidance may be welcome in areas such as determining “relevant sector” for market share purposes etc.

2. Timetable

The area which, in our view, would benefit most from guidance/workshops is the ICAAP process. A somewhat later implementation date would allow for further guidance on this area.

3. Industry Data

We would welcome the publication of industry data. It may be that there is value in analyzing data, such as that in Table 3.5, into Irish and non-Irish residents at component level.

We are happy to discuss our responses with you.

Yours sincerely,

Frank O’Dwyer
Chief Executive

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