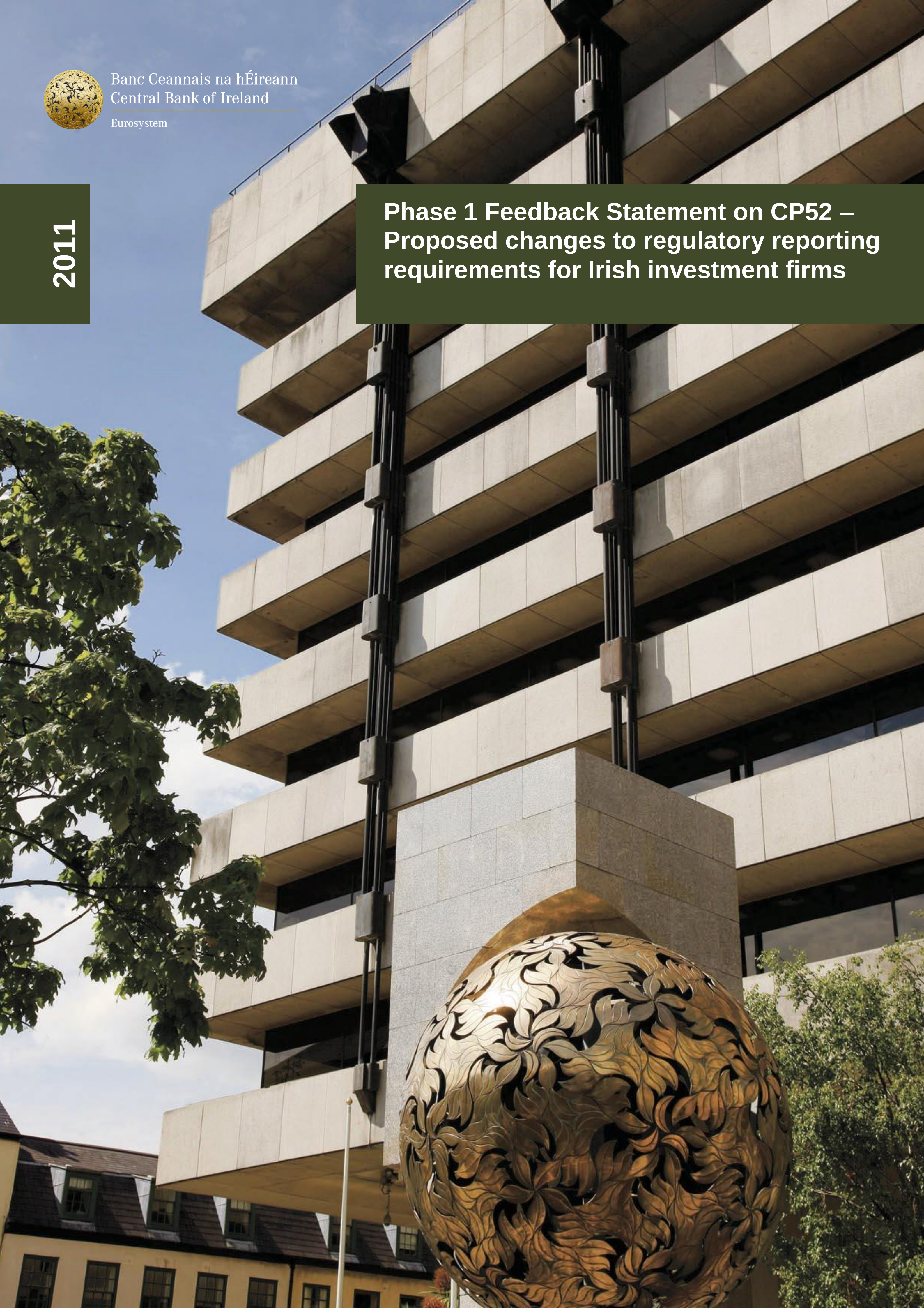
Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

2011

Phase 1 Feedback Statement on CP52 – Proposed changes to regulatory reporting requirements for Irish investment firms



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Introduction

1. On the 24 March 2011 the Central Bank of Ireland ("Central Bank") published Consultation Paper 52 *Proposed changes to regulatory reporting requirements for Irish investment firms* ("CP52").

2. CP52 is relevant for investment firms authorised under S.I. No. 60 of 2007, the European Communities (Markets in Financial Instruments) Regulations 2007 ("MiFID firms") and *certain* investment business firms authorised under the Investment Intermediaries Act, 1995 ("IIA Non-Retail firms"). Throughout this paper these firms will be collectively referred to as "Irish investment firms" or simply "firms".

3. It should be noted that CP52 is not relevant for either retail intermediaries or fund service providers authorised under the Investment Intermediaries Act, 1995.

4. CP52 sets out the Central Bank's proposals for changes to the regulatory reporting requirements for Irish investment firms, including
   (i) the implementation of FINREP – the European Banking Authority's (EBA) financial reporting framework[1] – for the submission of both Irish investment firms' management accounts and audited year-end financial statements;
   (ii) modifications to existing returns; and
   (iii) the introduction of a number of new regulatory returns.

5. The Central Bank invited comments on CP52 in two phases. The closing date for comments on sections 2 and 3 of the consultation (which dealt primarily with the introduction of the FINREP framework and our proposed modifications to existing returns) was 06 May 2011. The closing date for comments on sections 4 and 5 is 27 May 2011.

6. This paper summarises the phase 1 responses received to CP52 and outlines our associated decisions. The Central Bank is grateful to all parties who responded to phase 1 of the consultation and we thank you for your time and effort.

7. We received thirteen responses in total to phase 1 of CP52 from a range of participants including firms and industry bodies. All individual responses, except those from participants who requested that we keep their feedback confidential, are available on our website at: http://www.financialregulator.ie/consultation-papers/Pages/default.aspx?CPNumber=CP52[2]

8. We have considered the responses received to phase 1 of CP52 and have taken on board some specific changes suggested by industry. We are on

[1] More information on the EBA's FINREP framework is available at: http://www.eba.europa.eu/Supervisory-Reporting/FINER.aspx

[2] Responses are available at the above link until 27 May 2011. Thereafter they will be available in the Closed Consultation Papers section of our website via the CP52 'Related Docs' link. The Closed Consultation Papers section is available at: http://www.financialregulator.ie/consultation-papers/Pages/closed.aspx

the whole however proceeding as outlined in the consultation.

9. The *Phase 1 Summary* below provides an overview of points arising from the phase 1 responses along with the Central Bank's comments and / or decisions. It includes a general section containing points that are not specific to one particular report and also individual sections specific to each report. All changes to the phase 1 proposals outlined in CP52 are highlighted within the *Phase 1 Summary*. Firms should assume that otherwise the phase 1 proposals are being implemented as described in CP52.

10. The roll-out of the phase 1 returns will coincide with the migration to online reporting for Irish investment firms. The initial system 'go-live' date is 30 June 2011. A detailed timetable which includes information on grace periods and first due dates for returns is set out in our letter to firms dated 25 May 2011.

11. Finally we would like to note that where responses are from industry bodies or are joint responses from a number of firms, we have taken this into account when making decisions.

Phase 1 Summary

General Comments

12. The majority of respondents commented on the need for guidelines and clarity of definitions in relation to the returns outlined in sections 2 and 3 of CP52. Returns which received particular focus in this regard were
    (i) the FINREP framework for the reporting of management accounts and audited year-end financial statements (outlined in section 2.1 of CP52);
    (ii) the Monthly Key Data Report – renamed and referred to hereafter as the Monthly Metrics Report – outlined in section 3.2 of CP52;
    (iii) the Client Money Report – renamed and referred to hereafter as the Quarterly Client Funds Report – outlined in section 3.3 of CP52; and
    (iv) the Assets under Management Report – renamed and referred to hereafter as the Quarter-end Assets under Management and Fee Income Submission – outlined in section 3.5 of CP52.

Central Bank: The Central Bank appreciates the need for guidelines and clarity of definitions. Therefore we will provide detailed guidelines on the following returns:

(i) the FINREP framework (section 2.1 of CP52);
(ii) the Supplementary Financial Reporting Return (section 2.2 of CP52);
(iii) the Weekly Stockbroker Report (section 3.1 of CP52);
(iv) the Monthly Metrics Report (section 3.2 of CP52); and
(v) the Quarterly Client Funds Report (section 3.3 of CP52).

In some instances respondents provided suggestions for the definitions of fields within these returns. These suggestions will be considered by the Central Bank when compiling the guidelines.

The guidelines will be viewed as ‘live’ documents and should further clarifications be required the guidelines will be updated accordingly.

There were no requests for guidelines on the Capital Adequacy Return outlined in Section 3.4 of CP52. It is our view that firms should be familiar with the definitions of all the fields within this return and therefore we will not be issuing guidelines on this return.

13. In relation to the Quarter-end Assets under Management and Fee Income Submission, one response noted that this report currently combines client

types (e.g. 'Corporate') with asset categories (e.g. 'Tracker Bonds') and that it may be more useful for firms to provide a breakdown of categories that is more closely matched to MiFID.

The new version of the Quarter-end Assets under Management and Fee Income Submission is closely based on the existing return, from which aggregated data is shared with industry. Therefore we will not be issuing guidelines on the return at this time – firms will be required to complete it as per current practice. However, in response to the comments received we will endeavour to carry out a separate review of the return in conjunction with industry during 2012, at which stage we will consider whether it is necessary or desirable to issue guidelines and/or potentially revise the required categories.

14. One respondent requested that firms have the facility to complete returns in €000s rather than in €. Another response requested that returns be completed in €m.

Central Bank: As we are migrating to an online reporting system, a primary concern in relation to numeric input is data consistency. In addition we have to allow for the large variance in the size of firms that will be completing returns on the system. However we also recognise the fact that requiring data at a € level may place an unnecessary burden on some firms. We have therefore decided that firms will be required to complete all returns in €000s.

15. A number of respondents commented on the proposed implementation timetable for phase 1. There were mixed views presented. One respondent stated that given the nature of the changes proposed, the implementation timetable was reasonable. Other responses argued for a longer grace period for the initial reporting date and an appropriate lead-in time for the transition to online reporting.

Central Bank: We have taken these comments on board and have made a number of changes to the proposed implementation timetable for phase 1. The revised timetable is outlined in our letter to firms dated 25 May 2011. When developing the revised timetable we took a return by return approach and took into account both the level of change involved for firms and the complexity of the data requested in each return.

16. One response noted that several returns are due at the same time – the 20th working day after quarter-end – and suggested that the reporting deadline be moved to 25 working days after the quarter-end for all returns. The response also suggested that all deadlines should be in working days rather than calendar days.

Central Bank: We have considered this suggestion, however we have decided that we will leave all due dates unchanged for the moment. We will revisit this decision in light of the future adoption of any European technical standards on reporting applicable to investment firms.

17. One respondent focused on the need for proportionality in reporting requirements and commented that the current proposals place an excessive burden on small firms who do not pose any significant systemic risk to the Irish economy or the global financial system. The respondent noted the Central Bank's commitment in its Strategic Plan 2010-2012 which states that the *"Regulatory approach will......impose requirements in a way that is proportionate to the risk"* and also noted the principle of proportionality laid down in EU law and the requirements of Article 157 of the Consolidated Treaty of Rome. The respondent commented specifically on the number of regulatory returns required of small firms in comparison to the number of regulatory returns required of similar firms in the US.

Central Bank: The Central Bank is committed to a proportionate, risk-based approach to regulation. It should be noted that smaller firms engaged in less risky authorised activities submit fewer returns on a less frequent basis than larger investment firms with substantial client bases, discretion over client assets and who deal on their own account.

In addition many of the regulatory returns applicable to Irish investment firms collect information required to be provided under legislation or associated Level 3 guidance.

Finally, the migration to online reporting should introduce efficiencies for small and big firms alike. It should also facilitate a lower level of regulatory engagement with lower risk firms (with regard to inspections, review meetings etc.) by allowing a more exception-based supervisory engagement model for these firms.

18. One respondent noted that for small firms a significant number of fields will have a zero or 'n/a' entry and that it is not a good use of resources to consistently have to enter zero or 'n/a' into these cells. The respondent suggested that these fields should be pre-filled or locked for editing based on the login details of small firms or that the Central Bank should remove

these fields from the online display for firms for which they are not applicable.

Central Bank: The Central Bank notes that firms will not be required to enter zero or 'n/a' into non-applicable fields on the online reporting system. These fields should simply be left blank.

19. One respondent suggested that a free text facility should be included on each report so that firms would not have to write separately to the Central Bank regarding any interpretations made in relation to the return, explanations of the data or information on any unusual issues.

Central Bank: It should be noted that this facility already exists on the Monthly Metrics Report and will be in place (in the form of a variance analysis) on the FINREP returns. In relation to the other phase 1 returns, the Central Bank believes that any comments or explanations should be communicated directly to the firm's supervisor. Therefore the Central Bank has decided not to make changes to the other phase 1 returns in this regard.

20. One respondent suggested that the enhanced online reporting system should have a facility for firms to correct reporting errors online which would automatically notify the Central Bank.

Central Bank: There will be a facility on the online reporting system for firms to re-submit returns in order to correct reporting errors. Details on how this facility will work will be provided in the system user guidelines.

CP52 Section 2.1 - FINREP Proposals

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.

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.

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? Are there any tables that you believe 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.

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

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

21. There were ten responses to question 1. Five of these (including a response from an industry body and a joint response from two firms) noted that the implementation of FINREP should not cause any significant issues. Of the remaining five respondents, one queried whether the Central Bank expected firms reporting in Irish or another GAAP to restate their accounts to IFRS for submission of the FINREP tables, three respondents assumed that this was indeed our intention and therefore noted issues in this regard and the final respondent commented that there may be some differences between that firm's statutory accounts and the figures that it enters into the FINREP tables.

22. One of the respondents also suggested that it would be helpful if the Central Bank could translate the IFRS / IAS references on the FINREP tables to Irish GAAP references, while another respondent noted an issue with the fact that all the references were to IFRS / IAS.

23. There was also a request for guidance on how to report trade payables and trade receivables and other debtors or creditors in the FINREP assets and liabilities tables.

24. Six respondents commented on question 2. Three of these responses (including one from an industry body and a joint response from two firms)

did not identify any issues in relation to FRS 25 and FRS 26. Of the remaining three respondents, one commented that some firms may encounter challenges in gathering the required data and another respondent noted that any issues in relation to FRS 25 and FRS 26 will depend on the particular circumstances of each firm.

25. The sixth respondent on question 2 noted that the firm had adopted FRS 26, however also noted a number of issues in relation to the treatment of the firm's marketable securities. This particular respondent made an assumption that the FINREP 'held for trading' category of financial assets was measured using the historical convention method and noted that this measurement would not align with the firm's treatment of marketable securities which it classifies as 'held for trading' and measures at fair value.

Central Bank: Firms currently reporting in Irish or another GAAP do not need to translate their accounts to IFRS for the population and submission of the FINREP tables. Firms should continue to report under the accounting standards appropriate for / applicable to their firm and should then populate these numbers into the FINREP tables.

After consideration of the comments received on questions 1 and 2, the Central Bank has decided to implement the FINREP framework as outlined in CP52, with a number of minor modifications which are detailed below.

In response to the other requests above, for the core FINREP tables[3], the Central Bank will translate the IFRS / IAS references to Irish GAAP references where there is a direct translation between the two sets of accounting standards. In addition the Central Bank will provide guidance on how firms should report trade payables and trade receivables and other debtors or creditors on the FINREP framework.

Finally the Central Bank would like to note that the FINREP 'held for trading' category of financial assets is measured at fair value with movements in fair value recognised in the P&L. We believe that the FINREP guidance, along with the translation of IFRS / IAS references to Irish GAAP references on the core FINREP tables will assist in avoiding misinterpretations of this nature upon implementation.

26. There was a variety of responses to question 3. In addition a number of firms made comments in relation to the non-core FINREP tables in their responses to question 5. In summary the main comments were:

[3] The core FINREP tables are Table 1 Statement of Financial Position (which is sub-divided into Table 1.1 Assets, Table 1.2 Liabilities and Table 1.3 Equity) and Table 2 Income Statement.

- There was a query in relation to how the Central Bank intends to select which non-core tables are required of firms and the timelines for notifying firms in this regard.
- There were also a number of comments on the need to tailor requirements in relation to the non-core tables based on the business model of each investment firm, along with its size and complexity.
- There were requests for guidance in relation to a number of the non-core tables.
- One respondent commented that the disclosure required in *Table 5B: Financial assets held for trading* of the 'cumulative change in the fair values attributable to change in the credit risk', which references IFRS 7.9(c), is a disclosure only applicable to 'financial assets designated at fair value through profit or loss'.
- One respondent noted a number of issues with the disclosures required in Tables 5A to 5E. These included (i) the fact that these tables do not include a breakdown of derivatives held for trading; (ii) significant IT resources would be required to track the cost value of equities held at fair value; and (iii) the fact that the sectoral split required in Tables 5A to 5E presumes an investment profile where sectoral exposure is an important issue rather than a trading profile where the nature of the business makes it less of an issue.
- One respondent asked for clarification of whether exemptions in relation to non-core tables which apply to a parent will also apply to wholly owned subsidiaries, in cases where both the parent and subsidiaries are completing FINREP submissions.

Central Bank: The Central Bank would like to make the following comments in relation to the FINREP non-core tables:

- Only <u>core</u> tables will be required for the initial submission of both management accounts and audited year-end financial statements on the FINREP framework.
- Thereafter supervisors will assess the requirement for firms to complete and submit non-core tables based on the business model and risk profile of each firm. An appropriate notice period will be given based on the complexity of the non-core table(s) required and the firm's risk and resources.
- There are two exceptions to this as outlined in CP52:
  - (i) *Table 22: Statement of changes in equity* will be required if there is a movement in certain line items on *Table 1.3: Equity*. These line items will be highlighted in the FINREP guidance note which will be issued to firms.
  - (ii) *Table 25: Scope of the group* will be required when a firm is submitting consolidated accounts.
- In relation to disclosure required in *Table 5B: Financial assets held for trading* of the 'cumulative change in the fair values attributable to change in the credit risk', the Central Bank agrees that this disclosure – which references IFRS 7.9(c) – is applicable to financial assets

designated at fair value and therefore firms will not be required to populate this column.

- In relation to the disclosures required in Tables 5A to 5E, the Central Bank notes the following:
  - (i) We may at a later date decide to implement *Table 3: Derivatives held for trading* given that Tables 5A to 5E do not include a breakdown of this category.
  - (ii) The *Equity instruments; 'of which at cost'* line item in Tables 5B, 5C and 5D is in relation to equity instruments for which it is not possible to reliably estimate the fair value. Under IAS 39 these equity instruments may be held at cost. Firms will not be required to track the cost value of equity instruments that are held at fair value.
  - (iii) As noted above we will consider both the business model and risk profile of firms when assessing the requirement for firms to populate and submit non-core tables.
- Exemptions which apply to a parent that submits FINREP returns will not necessarily apply to wholly owned subsidiaries.

27. Of the eight respondents who commented on question 4, six agreed that a variance analysis for line item movements of 20% or greater was appropriate. Four of these however suggested that there should be a materiality threshold in addition to the 20% criterion so that low value movements would not have to be explained and gave a number of suggestions as to how this materiality threshold should work. A further respondent commented that 20% was quite a low criterion and could lead to redundant data due to the cycle of payments particularly at year end.

28. The final respondent that commented on question 4 did not feel that the 20% criterion was appropriate for two reasons:
    - There will regularly be movements of 20% or more on the 'Other assets' and 'Other liabilities' lines in FINREP Tables 1.1 and 1.2 as cash is received and receivables written down and vice versa. These movements may have no impact on the overall assets or liabilities positions.
    - Firms with trading profiles have liquid balance sheets with positions turned over frequently and therefore these firms would regularly trigger the 20% criterion.

Central Bank: The Central Bank has considered these responses and agrees that a materiality threshold is required in addition to the '20% line item movement' criterion in order to ensure that low value variances do not need to be explained.

The Central Bank will therefore consider how this materiality threshold should function and will revert to firms in due course. For the initial submissions of management accounts and year-end audited accounts on the FINREP framework there will be no variance analysis required.

29. There were a number of comments made on question 5 which have already been addressed in questions 1 to 4 above. Two respondents looked for additional clarification and information as follows:
    - One respondent asked for clarification on whether there are two or five core schedules.
    - Another respondent noted that the requirement of manually inputting the audited financial statements into the FINREP framework is very onerous, time consuming and unnecessary given that these will also be submitted in hard copy. The same respondent also asked for confirmation that the proposed FINREP returns will be an annual requirement for firms in respect of the core and non-core tables.

Central Bank: The Central Bank would like to clarify that there are two core tables in the FINREP framework – *Table 1: Statement of financial position* and *Table 2: Income Statement*. Table 1 is however broken down into three sub-tables – *Table 1.1: Assets*; *Table 1.2 Liabilities* and *Table 1.3: Equity*.

The Central Bank believes that the input of the audited financial statements into the FINREP framework will provide benefit by standardising the information and disclosures received from firms and therefore enabling industry-wide analysis and cross-comparison between firms.

As outlined in CP52, firms will be required to submit both management accounts and audited year-end financial statements on the FINREP framework *at the same frequency that firms currently submit this information*.

There is one exception to this. Going forward all MiFID firms that are *not subject to the CRD* and all IIA Non-Retail firms (as defined above) will only be required to submit management accounts once annually and these will be due twenty working days after the firm's financial year-end. This is a change from current practice where some of these firms submit bi-annually.

Core tables will be required for all FINREP returns and the requirement for non-core tables will be assessed on a firm-by-firm basis as described above.

CP52 Section 2.2 - Supplementary Financial Reporting Return

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

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

30. Six respondents commented on questions 6 and 7. The majority agreed that the categories included in the Supplementary Financial Reporting Return were appropriate and could be easily completed by firms.

31. One respondent suggested that it may be possible to merge some of the requirements in the Supplementary Financial Reporting Return with the requirements in the FINREP tables.

32. One respondent made some suggestions for additional fields in the Supplementary Financial Reporting Return such as depreciation, FX gains and losses, fixed tangible assets etc.

33. Another respondent commented that there was duplication between the Supplementary Financial Reporting Return and the FINREP framework in relation to the reporting of total assets and total liabilities.

34. There was a also comment that it would be useful if the online reporting system could automatically populate FINREP core tables from the entries in the Supplementary Financial Reporting Return and if the system could identify inconsistencies.

35. Finally there was a request for clarification on the submission timetable.

Central Bank: The Central Bank has considered the above responses and would like to clarify a number of points as follows:

- Each sub-table within the Supplementary Financial Reporting Return is a breakdown of a particular line item in the FINREP core tables, i.e. Table A is a breakdown of *Administration costs* on FINREP *Table 2: Income Statement*; Table B is a breakdown of *Other assets* on FINREP *Table 1.1: Assets*; Table C is a breakdown of *Other Liabilities* on FINREP *Table 1.2: Liabilities* and Table D is a breakdown of *Other reserves* on FINREP *Table 1.3: Equity*.

- Therefore the total field on each of Tables A to D should reconcile exactly to the corresponding line item on the FINREP core tables. The online reporting system will automatically verify this and will require firms to make any necessary amendments.
- It is not necessary to include fields such as depreciation, FX gains / losses, tangible assets etc. in the Supplementary Financial Reporting Return as this information is already collected in the FINREP core tables.
- In recognition of the fact that there was duplication between the Supplementary Financial Reporting Return (as outlined in CP52) and the FINREP core tables with regard to total assets and total liabilities, we have decided not to collect information on the fixed / current split of assets and liabilities within the Supplementary Financial Reporting Return. Instead we are adding two columns to FINREP tables *1.1 Assets* and *1.2 Liabilities* within which we will collect this information. Therefore the total assets and total liabilities figures will only need to be entered on the FINREP tables and this information will not be duplicated on the Supplementary Financial Reporting Return.
- Firms will be required to submit the Supplementary Financial Reporting Return as part of their submission of the FINREP return for both their management accounts and audited year-end financial statements.
- Upon further consideration of the categories in Tables A to D of the Supplementary Financial Reporting Return, we have decided to add the following:
  - (i) A field for PAYE / PRSI / VAT assets in Table B and a field for PAYE / PRSI / VAT liabilities in Table C.
  - (ii) A field for 'Investments at cost' in Table B to allow firms to record investments at cost that do not fit in any of the fields within FINREP *Table 1.1: Assets* (e.g. where a firm has not adopted FRS 25 and FRS 26).
  - (iii) Rows to allow a firm to record a group re-charge of expenses under both Staff Expenses and General and Administrative Expenses in Table A.

CP52 Section 2.3 – Stockbrokers Revenue Analysis

36. There were a number of comments received in relation to this return. However this return will be part of the phase 2 roll-out and therefore the comments will be addressed as part of the phase 2 feedback statement.

CP52 Section 3.1 - Weekly Stockbroker Report

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.

37. Two respondents commented on question 10. One response queried why fields no. 4 and no. 5 on unsettled sales and unsettled purchases are requested on the return and asked if this information is not collected as part of field no. 8 which looks for the 'Total position of the firm in all securities' and the 'Total exposure of the firm in all securities'. In addition both responses requested that the frequency of this report be changed to monthly.

Central Bank: The Central Bank notes that the information collected in fields no. 4 and no. 5 on unsettled sales and unsettled purchases in the Weekly Stockbroker Report relates to the contract value of unsettled trades whereas the information collected in field no. 8 is the position value.

There will be no change to the frequency of this return.

CP52 Section 3.2 - Monthly Key Data Report

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.

38. The majority of comments in relation to the Monthly Metrics Return asked for clarification in relation to definitions for fields within the return.

39. One respondent suggested two additional fields for the return: (i) the inclusion of an 'n/a' field beside *Client assets held* and (ii) the inclusion of a field for a person's name to be input who could serve as the direct point of contact for queries in relation to the data on the return.

40. One respondent noted that this return should not be required of venture capital firms, while another suggested that not all investment firms should be obliged to submit this return monthly.

41. Finally one respondent noted that there duplication between the information requested in the Monthly Metrics Return and the information requested in a

number of other returns such as the Supplementary Financial Reporting Return, the FINREP tables, the Quarterly Client Funds Report and the Quarter-end Assets under Management and Fee Income Submission.

Central Bank: As noted above the Central Bank will issue guidance on this return.

The Central Bank has considered the request for additional fields within the return, however has decided that these are not necessary.

In relation to duplication between the information submitted in the Monthly Metrics Report and the other returns noted, the Central Bank points out that these other returns are submitted quarterly, whereas the information in the Monthly Metrics Report is collected on a monthly basis. The aim of the Monthly Metrics Report is to collect key data on a frequent basis and as such the return only collects high level data. Therefore while there is some unavoidable duplication once every quarter – we do not believe that this places a large burden on firms.

Finally, the Central Bank believes that it is necessary to continue to require all Irish investment firms to submit the Monthly Metrics Report on a monthly basis, in particular with a view to facilitating a more exception-based supervisory engagement model for lower risk firms.

CP52 Section 3.3 - Client Money Report

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.

42. Only three respondents commented on the Quarterly Client Funds Report. One requested guidance in relation to the definitions of a number of fields in the return. The other two respondents made comments in relation to the requirement in the return to report on firms' top three clients. One of these noted that it was important that the online reporting system comply with data protection requirements in respect of clients' personal data. The second (joint) response noted that this information was highly sensitive, asked that the Central Bank explain the reason for requiring this information and suggested that the information could be collected without naming clients or that a reporting threshold could be introduced above which a client would be named.

Central Bank: Concentration risk is a key regulatory concern. Investment firm reliance on identified individual clients could pose firm, sector and / or systemic risks.

The Central Bank is of the view that the data to be collected in the Quarterly Client Funds Report on firms' top three clients will enhance the assessment of such concentrations.

The Central Bank confirms that the online reporting system is fully compliant with data protection requirements. Section 33AK of the Central Bank Act requires that the Central Bank maintains the confidentiality of information received in the course of carrying out its supervisory duties.

CP52 Section 3.4 - Capital Adequacy Statement

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.

43. Three respondents commented on question 13 and all three stated that they had no issues with the minor modifications to the Capital Adequacy Statement.

CP52 Section 3.5 - Assets under Management Report

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.

44. Six respondents commented on question 14. Again a number of these comments looked for guidance on the definitions of fields within the return, particularly the new 'venture capital' field.

45. One respondent noted an issue in relation to the revised frequency (to quarterly from semi-annually) of the return, however two of the other respondents stated that the revised frequency should not cause a problem, while the remaining respondents did not comment on the frequency.

46. As with the Quarterly Client Funds Report, the same joint response noted the same issues in relation to providing information on firms' top three clients.

Central Bank: As noted above, this return is closely based on the existing return, from which aggregated data is shared with industry. For the moment firms will be required to continue to populate the return as per current practice and we will endeavour to carry out a separate review of this return – in conjunction with industry – during 2012, at which stage we will consider whether it is necessary or desirable to issues guidelines and/or potentially revise the required categories.

Firms should therefore use the following definition for the new 'Venture capital' field: *The provision of medium to long term finance in return for an equity stake in a company. This should include total drawn down funds, rather than total committed funds.*

As noted above, concentration risk is a key regulatory concern. Investment firm reliance on identified individual clients could pose firm, sector and / or systemic risks and the Central Bank is of the view that the data to be collected on firms' top three clients will enhance the assessment of such concentrations.

The frequency of the Quarter-end Assets under Management and Fee Income Submission will remain quarterly as described in CP52.

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