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7 July 2016

Dear CEO,

The Central Bank of Ireland (the “Central Bank”) recently carried out a themed inspection to examine how investment firms¹ (the “Firms”) report to clients. Accurate and timely reporting to clients is key to enabling clients to make informed decisions. The Central Bank’s expectation is that Firms should have effective procedures in place to ensure the quality of the client reports produced². The overarching obligation on Firms is to communicate with clients in a fair, clear and not misleading way. The purpose of this letter is to provide feedback on the Central Bank’s findings and to highlight a number of good practices which you should consider in the context of your firm.

Overall the findings of this thematic inspection were positive. The onsite inspections found that the Firms reviewed met the client reporting requirements and provided accurate information to clients in a timely manner. The Firms reviewed demonstrated that they had adequate procedures in place in relation to the production and issuance of client reporting, including valuation checks, robust middle office checks and periodic compliance reviews. The review highlighted that Firms are taking MiFID as the minimum standard and that Firms are often going beyond these minimum regulatory requirements in relation to client reporting. These higher standards indicate that Firms are adapting to meet client needs, which is aligned to the Firms’ obligation to act in the clients’ best interests.

During this thematic inspection, Central Bank supervisors observed a number of examples of good practices which are outlined in Appendix 1. However, this is not an exhaustive list and Firms should at all times ensure that the relevant regulatory requirements are met. The Central Bank recommends that all Firms review their existing client reporting policies and procedures to ensure

¹ MiFID firms, MiFID branches passporting into Ireland and UCITS Managers/AIFMD Firms providing MiFID equivalent activity.

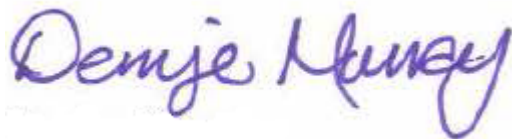
² The themed inspection focused on contract notes and client statements as per Regulation 96 of European Communities (Markets in Financial Instruments) Regulations 2007, S.I. No. 60 of 2007.

the relevant requirements are complied with. In addition, all Firms should consider the good practices listed in Appendix 1 against their own policies and procedures in order to identify possible areas for improvement.

Please be advised that, where there is non-compliance with the relevant regulatory requirements, the Central Bank will have regard to the consideration given by any firm to this letter, when exercising its regulatory and enforcement powers.

Should you have any queries regarding the content of this letter please contact iffs.mifid.conduct@centralbank.ie.

Yours sincerely



Denise Murray
Deputy Head, Investment Firms and Fund Services

Appendix 1

<i>During the review, the following good practices were noted</i>
<i>-in relation to the quality assurance of Client Reporting:</i>
<ul style="list-style-type: none">• Issuing valuation statements or contract notes as a courtesy and to enhance client services in light of service being provided, where there is no specific regulatory requirement.
<ul style="list-style-type: none">• Carrying out a price check for all securities in their client valuation statements where a minimum tolerance threshold is breached.
<ul style="list-style-type: none">• Incorporating client reporting into the compliance monitoring plan.
<ul style="list-style-type: none">• Tailoring the client reporting offered to client needs. Firms offering their clients the option of receiving client reporting in soft copy via secure email or through secure web based portals.
<ul style="list-style-type: none">• Maintaining segregation of duties, with contract notes being checked by different staff than those who input trades into the system.
<ul style="list-style-type: none">• System access controls limited to only relevant staff. Changes and updates to client reporting can only be made by permitted staff.
<ul style="list-style-type: none">• Carrying out a review of the contract note issued to their client, by the executing broker, where a firm is part of a chain of execution, and do not issue the contract note themselves.
<ul style="list-style-type: none">• Implementing controls around the issuing of client reporting, to enable firms to demonstrate that client reporting is issued within the pre-requisite deadlines.
<i>-in relation to the content of Client Reporting:</i>
<ul style="list-style-type: none">• Labelling the specific instrument identifiers on contract notes, such as ISIN, sedol, ticker etc.
<ul style="list-style-type: none">• Including, when appropriate, a clear benchmark for comparison in valuation statements that is likely to be understood by the person receiving the information.
<ul style="list-style-type: none">• Maintaining an open dialog with their clients to ensure that the client statements / contract notes are understandable and client data is kept up to date.
<ul style="list-style-type: none">• Including details of the relationship manager or relevant person within the firm to direct any queries regarding the contents of client statements / contract notes.