



Mr Tilman Lueder
European Commission
Financial Stability, Financial Services, and Capital Markets Union DG
Financial Markets
Securities Markets (C.3)
Brussels
By e-mail only
November 2021

Re: Notification under Article 16 (11) MiFID II in respect of Proposed Enhancements to Client Asset Regulations.

Dear Mr Lueder,

In accordance with Article 16 (11) MiFID II (Directive 2014/65/EU), the Department of Finance is requesting European Commission approval for revised Client Asset Regulations (contained in Part 6 of the Central Bank (Investment Firms) Regulations, (“The Regulations”)) for investment firms and credit institutions. The Regulations are attached to this letter.

Ireland has introduced additional domestic client asset rules to those set out in MiFID II, the Client Asset Regulations as contained in the Investment Firms Regulations. These build on the Irish Regulations transposing MiFID II, taking into account the specific risks to investor protection which are of particular importance given the structure of the Irish Market.

In terms of our rationale for the proposed Client Asset Regulations, the Department of Finance and the Central Bank of Ireland are of the view that the proposed amendments to the Client Asset Regulations are in line with the fundamental principles established in the Directive.

The Commission has previously approved Client Asset Regulations submitted by Ireland under MiFID II. It is now proposed certain enhancements to the current Regulations, which are required due to the changing market structure in the Irish client assets landscape.

We understand that not all of the proposed enhancements to the Client Asset Regulations need to be notified under Article 16(11) MiFID II as some of the detailed requirements may be considered as guidance on the application of the *current* MiFID II rules. (See Annex 1 and 2).

Notification of amendments to the Regulations that require notification, and justification for these amendments, is set out in Annex 1. In summary, the current as well as proposed rules focus on three objectives:

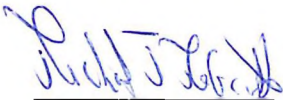
- a) the maintenance of public confidence in the client asset regime;
- b) the mitigation of the risk of misuse of client assets whether as a result of maladministration or fraud; and

- c) the provision of a system which in the event of a firm's insolvency would support the expeditious return of client assets to the owner at lowest cost.

In addition to the amendments that require notification under Article 16 (11) MiFID II, we have included in Annex 2 amendments to the regulations for your information that we and the Central Bank of Ireland consider as not requiring notification.

Officials in my Division have previously engaged with your colleague Ms. Ellen Boelema and received useful advice which we have incorporated into our text. As such, I hope this matter can be concluded swiftly.

Yours sincerely,



Michael J. McGrath

Assistant Secretary
Finance Services Division