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**Examination of Client Categorisation Systems of Investment and
Stockbroking Firms**

The Financial Regulator has recently completed an examination of client categorisation in firms authorised under the European Markets in Financial Instruments Regulations. These regulations classify customers as either retail clients, professional clients or eligible counterparties. Different levels of regulatory protection apply to each category of client. The purpose of the examination was to ensure that all clients are correctly categorised and receive the appropriate level of regulatory protection.

The Financial Regulator has published its findings to improve the overall level of compliance across the industry.

Overall, the themed inspections revealed a good level of compliance. Systems and procedures had been introduced in firms to comply with the client categorisation requirements and the inspections provided an opportunity for firms to discuss issues that had arisen since the introduction of the MiFID Regulations in November 2007. The examination found that:

- There were issues with the content of some client categorisation policies and procedures and there was also a failure to notify some clients of their categorisation or a failure to maintain evidence of this notification on file.
- The inspections revealed that in some instances clients had not been notified about their right to request a different categorisation or about any limitations as to the level of client protection that the different categorisation would entail.
- Some clients had not received updated terms of business documentation prior to the provision of investment services.

The inspections highlighted the importance of maintaining proper records to enable the Financial Regulator to monitor compliance with the MiFID Regulations. The Financial Regulator is addressing the issues raised during the inspection directly with the individual firms.