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Dear James

FSA Consultation Paper 11/04 - CMAR: Operational Implementation

Thank you for taking the time to discuss our response to the above consultation on the operational implementation of the CMAR.

The concerns we raised relate primarily to the proposed frequency of the CMAR submissions and the limited benefit that a monthly CMAR from private equity and venture capital firms would provide, particularly when considering the additional burden and cost that it will impose on such firms. Given the very low trading frequency inherent in the private equity and venture capital model, it is of no benefit for the FSA to receive a CMAR on a monthly basis. A six-monthly report would be sufficient to provide the requisite information and this would be more proportionate to the low trading frequency of private equity and venture capital firms.

We understand, however, that you are reluctant to review the proposed reporting frequency notwithstanding our concerns. As such, we would be grateful if the FSA could issue some guidance which may assist reduce the burden on private equity and venture capital firms as we discussed at the meeting. We set out brief details of the areas on which guidance would be particularly helpful – this should reflect those matters already agreed. As the new rules are due to come into force on 1 July 2011 we would also be grateful if you could confirm when you expect to issue this guidance.

Areas for Guidance:

Mark to Market

You confirmed that the CMAR would not require private equity and venture capital firms to revalue assets intra-month or on a monthly basis. Rather they will be able to complete the forms based on the latest valuation prepared for other purposes. Typically a valuation would be done every six months.

Unreconciled Items

We would look for guidance that clarifies that "unreconciled items" do not include interests where the portfolio company has acknowledged the private equity/venture capital fund's entitlement but the paper certificate evidencing the entitlement has not yet been issued.

Stock Lines

The CMAR currently contemplates that a line of stock will have a CUSIP or ISIN number. However, as unlisted securities do not have such numbers, private equity and venture capital firms will require guidance on how share lines should be reported.

We would be happy to discuss any of these issues with you.

Yours sincerely



Margaret Chamberlain
Chair – BVCA Regulatory Committee