

PRESS RELEASE

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Investor Compensation Company Limited Publishes 2010 Annual Report

Introduction

The Investor Compensation Company Limited (ICCL) today, Wednesday 1 December 2010, published its Annual Report for the year ended 31 July 2010. The principal objective of the ICCL is the putting in place of arrangements (for example, funding and payment procedures) to ensure that eligible clients of a failed firm receive compensation, within the parameters set down in the Act, as quickly as possible. There were no failures of investment firms in the current year giving rise to claims for compensation. The last failure occurred in 2001 when W&R Morrogh Stockbrokers (Morrogh) failed.

Reserves

The Annual Report shows that total reserves at year end amounted to €34.4 million, i.e. an increase from the previous year of €4.9 million. Fund A reserves increased by some €3.3 million to a balance of €18.1 million while Fund B reserves increased by €1.6 million to a balance of €16.3 million.

Claims

W&R Morrogh: Due to the complex nature of the claims arising from this failure, not all claims have yet been paid. During the year ended 31 July 2010, the Administrator certified 1 claim for compensation. This brought the total number of claims which have been certified in the Morrogh case to 2,606 (i.e. 99% of all claims received), in respect of which €7.55 million has been paid in compensation. Certification in relation to the remainder, some 26 claims, was still awaited from the Administrator at the end of the funding year.

MMI: All 313 claims have now been certified and the ICCL has paid a total of €0.77 million to claimants in respect of all claims.

The ICCL paid compensation in respect of all certified claims within two weeks of certification, which is well within the three months set out in legislation.

Contributions

Annual contributions from circa 6,000 member firms, in the year to 31 July 2010, amounted to some €5.8 million. 240 Fund A members contributed €3.6 million and 5,728 Fund B members contributed €2.2 million.

Initiatives taken during the year

- Draft EU Investor Compensation Directive: During the year, the ICCL was an active participant at EU level, responding to requests for submissions from the EU Commission on their review of the Investor Compensation directive. The Commission published in June a draft Directive amending the existing Investor Compensation Directive. The draft Directive proposes a number of changes to the existing arrangements, including increased compensation payments to investors in the event of a failure, prescribed minimum target levels of pre-funding, the inclusion of certain collective investment schemes in the remit of the Directive and provisions to allow borrowing between national schemes. The Directive is at present being negotiated by the representatives of Ministries of Finance in Brussels. More recently, the ICCL appeared before the Oireachtas Joint Committee on EU Scrutiny to assist that Committee with its review of the draft Directive.

- Pre-determined distribution rules: Morrogh clients experienced delays in having their assets returned to them. One of the key recommendations of the Report of the Morrogh Working Group, which was published by the Department of Finance in November 2006, was that rules should be developed for the distribution of client assets in circumstances where a shortfall in such assets arises following the failure of a firm. In the absence of any other party doing so, the ICCL engaged its legal advisors to draft appropriate amending legislation which will be included in the forthcoming Central Bank Reform No. 2 Bill.
- Revised Funding Arrangements: During the year, and following a period of consultation with contributors and key stakeholders, the ICCL published revised Funding Arrangements, dated June 2010. The funding rates are effective for 3 years from 1 August 2010. That document is available from the ICCL website at www.investorcompensation.ie

The ICCL's Strategic Plan 2009 – 2012

In April 2009, the Board formally documented its second strategic plan for the three years ending 2012. Progress in achieving our strategic goals is closely monitored by the Board.

Chairperson's comments

Speaking at the publication of the Annual Report, ICCL Chairperson, Mr Jim Bardon, said: "We report today, a ninth consecutive year in which there were no new failures under the scheme. Each year free from failures allows the Scheme to continue building reserves to a more adequate level. Given the continuing turbulence in the financial markets, we are pleased to announce that we have recently secured insurance to cover the ICCL in the event that compensatable losses arising exceed our reserves. This provides significant comfort that we should be in a position to pay compensation promptly even in extreme scenarios. However, we remain concerned that our obligation to pay compensation remains unlimited, whereas the resources that we can call on are necessarily limited although now significantly greater than before. We continue to keep this exposure under review and to seek possible ways of minimising it.

Mr. Bardon concluded by saying, "The ICCL focus remains on seeking practical and implementable changes, which are within our own control, to improve the effectiveness of the Scheme for both claimants and contributors alike and on engaging outside parties to advance other improvements for the Scheme. Furthermore, we continue to seek to reduce costs whether through negotiations with suppliers or by achieving greater efficiencies."

The ICCL Annual Report is now available online at www.investorcompensation.ie

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Mr Bardon and Ms Troy will be available to receive phone calls from the media on Tuesday, 30 November 2010 from 13.30 pm until 15.30 pm approximately. Any e-mailed or faxed requests for information will be attended to as quickly as possible and in the order in which they are received.

Note for Editors:

Description of the ICCL

The ICCL was established under the Investor Compensation Act, 1998. Its principal objective is to establish and operate an investor compensation scheme in accordance with the terms of EU Investor Compensation Scheme Directive 97/9/EC. The Act provides that investment firms must become members of the scheme and contribute to its funding. Following industry consultation, detailed funding arrangements were put in place which provided for the establishment of two separate funds to take account of, e.g. differences in activities of investment firms. (A description of these funds is also included in this note.) The ICCL is not involved in the regulation or supervision of investment firms.

Ten Directors represent either the interests of consumers (5) or the interests of the financial services industry (5) and are prescribed by the Minister for Finance. The Governor of the Central Bank of Ireland nominates and appoints the chairperson and deputy chairperson of the Board.

The opening statement of the Chief Operations Officer to the Joint Oireachtas Committee on EU Scrutiny is available on the ICCL's website at www.investorcompensation.ie