

PRESS RELEASE

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Investor Compensation Company Limited Publishes 2009 Annual Report

Introduction

The Investor Compensation Company Limited (ICCL) today, Wednesday 2 December 2009, published its Annual Report for the year ended 31 July 2009. The main purpose of the ICCL is to operate a financially sound scheme which compensates eligible investors of failed investment firms. 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 €29.5 million, i.e. an increase from the previous year of €4.9 million. Fund A reserves increased by some €3.1 million to a balance of €14.7 million while Fund B reserves increased by €1.8 million to a balance of €14.8 million.

Claims

W&R Morrogh: During the year ended 31 July 2009, the Administrator certified 22 claims for compensation. This brought the total number of claims which have been certified in the Morrogh case to 2,605 (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 27 claims, was still awaited from the Administrator at the end of the funding year.

MMI: Also during the year the Administrator for MMI certified the final three claims for compensation. 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 5,600 member firms, in the year to 31 July 2009, amounted to some €5.2 million. 233 Fund A members contributed €3.1 million and 5,372 Fund B members contributed €2.1 million.

Initiatives taken during the year

- 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 was submitted to the Department in July 2009 for inclusion in the forthcoming Miscellaneous Provisions Bill.
- Risk-based Funding Model: During the year the ICCL concluded its assessment of the feasibility of developing a robust risk-based funding model which would inform the

ICCL's funding decisions going forward. The ICCL believes that there is scope for the development of such a model, but that it requires co-ordinated effort and resources on the part of the Financial Regulator and the ICCL and would take some years to develop and implement. Having outlined the ICCL's position to the Financial Regulator, in September 2009, the Financial Regulator clarified that, in the coming years, it will have to dedicate its resources to its own priorities. This response poses a significant challenge to the ICCL's ability to progress its strategic objective and we must consider this in light of responses which we expect to receive from our current Funding Consultation process.

The ICCL's Strategic Plan 2009 – 2012

During the year, the Board completed a further strategic review which resulted in the documentation of its second strategic plan for the three years ending 2012. The ICCL's strategy identifies a number of further key goals to be achieved including the following: -

- to ensure speedier certification of client losses through legislative change;
- to assess the views of consumers of financial services and clarify for them the nature and extent of protection which is available to them under the Investor Compensation Scheme;
- to further increase the level of reserves in the Funds to ensure that the Scheme continues to have adequate reserves to meet future compensation claims;
- to respond to contributor concerns about their 'unlimited' liability to fund the scheme;
- to agree contingency funding arrangements among our stakeholders;
- to maintain a simple and straightforward approach and an efficient levy collection system.

Chairperson's comments

Speaking at the publication of the Annual Report today, ICCL Chairperson, Mr Jim Bardon, said: "We are pleased to report an eighth consecutive year in which there were no new failures under the scheme, particularly given the turbulence experienced in the financial markets. This has allowed us to continue to build up reserves against future risks of default. Nevertheless, current difficult market conditions and the experiences in other jurisdictions reinforces our belief that we require the ultimate back-stop of State Guarantee to facilitate the ICCL in paying compensation on a timely basis. This is obviously something we keep under constant review."

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."

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

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For further information, please contact:

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Mr Bardon and Ms Fitzgerald will be available to receive phone calls from the media on Tuesday, 1 December 2009 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 and Financial Services Authority of Ireland (CBFSAI) nominates and appoints the chairperson and deputy chairperson of the Board.