

By email to info@investorcompensation.ie

The Investor Compensation Company Limited
C/o The Central Bank of Ireland
P.O. Box 11517
North Wall Quay
Spencer Dock
Dublin 1

7 December 2012

Re: Consultation Paper Funding the Investor Compensation Scheme

Dear Sir/Madam,

We welcome the opportunity to provide you with comments in respect of the Investor Compensation Company Limited's consultation paper on funding the Investor Compensation Scheme.

For ease of reference we have repeated each of the questions and where we have comments, these are noted underneath. We have provided additional comments below.

Question 1: Do you agree with the target Fund Reserves for Fund A?

No. While we understand that the Fund Reserve needs to be increased, we would recommend that the ICCL sample check the capability of firms in each of the bands to make the necessary payment, prior to making a decision in relation to the amount and timing of the increase.

Question 2: Do you agree with the target Fund Reserves for Fund B?

As Fund B is not applicable to our firm we have declined to comment.

Question 3: Do you support the continued placement of Excess of Loss Insurance for Fund A?

Yes. We support the continued placement of Excess of Loss Insurance for Fund A.

Question 4: Do you support the continued placement of Excess of Loss Insurance for Fund B?

As Fund B is not applicable to our firm we have declined to comment.

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Directors: Brian Davy, Tony Garry, Kieran McLaughlin,
Tom Berrigan, Paul Furtle, Patrick Cooney, Chris Cullen,
Bobby Dwyer, Eamonn O'Leary, Stephen Felle, David Goddard,
Pádraig Gaffney, Nicholas McElhinney, Jean McCash,
Brian McNamee, Barry Niang, Peter Newmair,
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Question 5: Do you support the current borrowing arrangements?

Yes. Our view is that it is sensible to maintain such a facility at current pricing levels.

Question 6: Do you have any observations on the proposals to amend the ICSD as outlined in paragraph 35?

Regarding the €50,000, having completed a guesstimate of the potential impact on firms, we consider that the cost implications would be far too onerous in the current economic climate when many financial services providers are already struggling to break even. We would be concerned that any additional significant cost increases may lead firms to be forced into considering redundancies in order to maintain the existence of their business.

We would not recommend that a partial payment be made until a formal determination is made that the firm is in default. All efforts should be made to ensure that delays are minimised.

As for point one above, we do not consider that the current economic climate supports the putting in place of additional costs such as the ex ante fund of 0.5% of cover that has been proposed.

Question 7: Do you support the implementation of E-invoicing?

Yes. We consider this to be an efficient way of distributing invoices.

Question 8: Besides the current payment methods, are there other methods that you believe merit consideration?

No. We consider the current payment methods to be adequate.

Question 9: Do you believe the assumptions set out in paragraph 56 are reasonable? – Please state your reasons.

Some of the assumptions outlined in paragraph 56 appear to be reasonable. However, we would consider it prudent to make some provision for bad debts that may be incurred.

Question 10: Do you support the implementation of Proposal A1 or A2?

On the assumption that there are no other choices, we would support the implementation of Proposal A1.

Question 11: Do you believe the assumptions set out in paragraph 65 are reasonable? Please state your reasons.

As Fund B is not applicable to our firm we have declined to comment.

Question 12: Do you support the implementation of Proposal B1 or B2?

As Fund B is not applicable to our firm we have declined to comment.

Additional Comments:

We note that the *Arrangement for funding of the Investor Compensation Scheme operated by ICCL*, May 2004, stated that in light of the fact that Morrogh was a stockbroking firm the ICCL required this subset of investment firms, i.e. stockbrokers, to contribute 50 per cent of the top up requirement with the other Fund A firms contributing the balance.

It is our strong view that, given that the above was considered to be a wholly valid basis of apportionment of costs in 2004, the same methodology should now be applied with regard to the funding requirements post the collapse of Custom House Capital, an Investment Firm, not a Stockbroking Firm, i.e. by this we mean that it is wholly reasonable for us to call on the Board of the ICCL to require that Investment Firms bear the majority of the top up/funding cost.

If you have any queries and/or require any further clarification in respect of the above please contact me on 01 614 9146 or my colleague, Deirdre Murphy, on 01 6148719.

Yours sincerely



Ger Knowles
Head of Regulation & Compliance
J&E Davy