

PRESS RELEASE

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Investor Compensation Company Limited Publishes 2013 Annual Report

Introduction

The principal objective of the Investor Compensation Company Limited ["ICCL"] is to pay compensation to eligible investors when an investment firm fails and is unable to return client money and/or investment instruments. To support that objective, the ICCL collects annual levies from investment firms and retail intermediaries in order to build the reserves from which compensation can be paid. The ICCL is not funded by the State.

Significant Events

Irish Bank Resolution Corporation Limited (in Special Liquidation) ["IBRC"]

On 17th May 2013, the ICCL was informed by the Central Bank of Ireland that it had made a determination under section 31(3) of the Investor Compensation Act 1998, as amended ["the Act"], that IBRC was unable to meet its obligations arising from claims by clients who conducted investment business with the firm.

Mr Kieran Wallace and Mr Eamonn Richardson of KPMG Chartered Accountants were appointed as joint Administrators to IBRC under section 33(1) of the Act. Mr Wallace and Mr Richardson, in their capacity as joint Administrators, have estimated that the ICCL may be required to pay compensation of up to €2.6 million on foot of claims from circa 550 eligible investors of IBRC. The impact that this would have on the ICCL's reserves has been fully recognised in this year's financial accounts.

W&R Morrogh Stockbrokers (in Receivership) ["Morrogh"]

In January 2013, the ICCL received certification of the final claims from the Administrator, Mr Tom Grace. The ICCL is pleased to confirm that all claim applications received in respect of Morrogh have now been paid.

Bloxham (in Liquidation)

The ICCL became aware of the Bloxham case in the financial year ended 31 July 2012. On 17th April 2013, the ICCL received certification from the Administrator that no compensation was due, under the Act, to the small number of claimants that had submitted claim applications to the ICCL. On 22 April 2013, the ICCL wrote to those claimants informing them of the decision of the Administrator.

Custom House Capital Limited (in Liquidation) ["CHC"]

On 21st October 2011 the High Court placed CHC into liquidation and the Court appointed Mr Kieran Wallace of KPMG as Liquidator and Administrator, in accordance with section 33A of Act, to the firm. As previously reported, Mr Wallace, in his capacity as Administrator, has estimated that the ICCL may be required to pay compensation, on foot of claims from eligible investors of CHC, of up to €19.7 million. The impact that this would have on the ICCL's reserves has been fully recognised in prior year financial accounts.

The role of Mr Kieran Wallace, as the Court appointed Administrator to CHC, is to determine the extent to which clients of the firm had suffered losses. He is then required to certify the individual losses of eligible investors to the ICCL. Once an investor's claim has been certified by Mr Wallace, the ICCL will make a compensation payment to that investor in accordance with the Act.

As at 30 November 2013, the Administrator has certified (in 8 batches) either in full or partial settlement, the claims of 403 clients. The aggregate value of compensation paid to date in respect of CHC is €5.9 million.

Mr Wallace has indicated that the reconciliation process will be protracted due to the poor quality of, and concern over, the accuracy of records within the firm. He has stated that it is not possible to give an accurate estimate of when individual claims will be resolved. However, it is clear that it will be some time before all claims will be certified.

In the meantime the ICCL will liaise closely with the Administrator and his staff and will continue to pay compensation within two weeks of receipt of the necessary certification from Mr Wallace.

Results for the year

The Annual Report shows that the ICCL's total reserves at year-end amounted to €31.6 million. This represents an increase of €2.2 million over the reserves available in July 2012. The increase is in line with expectations, taking due account of the creation of a provision of €2.6 million to pay compensation to clients of IBRC. The estimated cost of the IBRC case is partially offset by an expected dividend receipt of €0.5 million related to the ICCL's subrogated rights from previous compensation payments made to clients of W & R Morrogh (in Receivership). The ICCL also recorded net inflows (annual levies plus income less expenses) of €3.0 million into Fund A (investment firms) and €1.3 million into Fund B (retail intermediary firms).

As at 31st July 2013 the reserves of the ICCL stood at €31.6 million. This was made up of Fund A reserves at €11.3 million and Fund B reserves at €20.3 million. As reported above the reserves of Fund A are net of the potential cost of claims arising from the failure of CHC and IBRC which was estimated at an aggregate €22.3 million.

In addition to its cash and investment reserves, the ICCL has an insurance policy which, subject to an initial excess of €15 million per fund, provides cover for compensation claims in any one year of up to additional €50 million on Fund A and €10 million on Fund B. Furthermore, the ICCL has a number of alternative sources of funds, including the option to borrow funds from a commercial source along with the option to collect extra levies from participant firms.

The ICCL's Strategic Plan 2011 to 2016

Progress on the achievement of the ICCL's strategic goals is constantly monitored by the Board and the plan was formally reviewed in April 2013. The main goals of the ICCL are:

- To promptly pay certified compensation to eligible investors;
- To ensure that the company is adequately funded and properly governed; and
- To operate the company efficiently and effectively.

Chairperson's comments

Speaking on the publication of the Annual Report, the Chairperson of the ICCL, Mr Jim Bardon, said:

“The year under review has proved particularly challenging for the ICCL with the failure of IBRC, in addition to the on-going management of the CHC case. I am particularly pleased with the progress that has been made during the year to ensure that the final outstanding claims on the W & R Morrogh case have been certified and paid as appropriate. The failures of Custom House Capital and IBRC have had a significant impact on the available reserves of the ICCL with aggregate compensation payments not expected to exceed €22.3 million. However, I am pleased that the processes put in place by the Company have meant that it is in a position to meet its obligations and the ICCL will be in a position to promptly pay, on the certification of the Administrator, compensation to each eligible investor up to the maximum of €20,000.”

The policy of the ICCL has been to gradually increase the reserves of the Company on a year-by-year basis and to supplement this through the purchase of insurance cover - which in the case of CHC will refund to the ICCL any compensation payments made in excess of €15 million. The ICCL has also negotiated a stand-by credit facility upon which the Company may draw if the need arises. Finally, the ICCL has the ability to make an additional call for levies from investment and/or intermediary firms. This should provide comfort that the ICCL will be in a position to meet its obligations in the event that a failure similar to that of CHC should occur again.”

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

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Mr Bardon and Mr Treacy will be available to receive phone calls from the media on Tuesday, 3 December 2013 from 10.00 hrs until 12.00 hrs 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.