

PRESS RELEASE

Investor Compensation Company DAC publishes its 2023 Annual Report

Introduction

The Investor Compensation Company DAC ["ICCL"] is a statutory body established under the Investor Compensation Act, 1998, ("the Act") to provide, in the circumstances prescribed under that Act, compensation to eligible clients of failed investment firms, where such firms are unable to return client money and/or investment instruments belonging to them. The Compensation Scheme is primarily aimed at small investors and provides compensation of up to €20,000 for each investor for claims covered. The ICCL collects levies annually from investment firms in order to build the reserves from which compensation can be paid. The ICCL does not receive any funding from the State.

Results for the year

The ICCL has recorded a surplus for the year to 31 July 2023 of €9.6 million, an increase of €4.0 million on the previous year, attributable to the receipt of risk equalisation levies in the period. At year-end, accumulated reserves stood at €97.8 million (up from €82.5 million in 2022). The reserves comprised of €71.3 million in the Scheme's primary fund (Fund A), which is dedicated to larger investment firms such as banks, asset managers and stockbrokers, and €26.4 million in the second fund (Fund B), which is earmarked for smaller investment firms including insurance brokers and retail intermediaries.

Funding

The reserves of the ICCL consist of accumulated levies collected from authorised investment firms that participate in the Scheme. Funding plans are set in advance for three-yearly cycles following consultation with stakeholders including the contributing firms. Since the financial year-end, the reserves have increased to €103.8 million, reflecting levies collected in the latest funding period.

This funding capacity is complemented by bespoke Excess of Loss insurance policies (underwritten by the Lloyds' market) which provide additional resources of up to €110 million and €30 million respectively. As a result, the ICCL was in a position at the financial year-end to cover compensation claim obligations to affected eligible clients of failed firms of €171 million for Fund A firms and €36 million for Fund B firms, without the need to impose supplementary levies on member investment firms.

At the reporting date, there were 2,953 investment firms participating in the Scheme, marginally down from 2022. This comprised 168 firms in Fund A and 2,785 in Fund B.

Cases

Custom House Capital (CHC)

The CHC case was effectively concluded in the past year. The CHC is the largest failure of an investment firm dealt with to date by the ICCL. This firm was wound up in October 2011

following substantial misappropriation of client investments, estimated at over €62 million by the CHC Liquidator. The ICCL received more than 2,340 claims for compensation from clients of the firm, all of which have been certified by the Administrator for an aggregate amount of €11.9 million. No additional claims are anticipated. At this time, over 95 per cent of certified claims have been settled which equated to compensation payments totalling €11.5 million being made by the Company, with the remaining claims involving uncontactable claimants or where required declarations are outstanding.

BlackBee Investments Limited (BBIL)

This case commenced in May of this year following the appointment to the firm by the High Court of Joint Official Liquidators/Administrators. The ICCL has invited claims from all clients of BBIL (c2,040). To date, over 1,300 claims have been received. As the investigations by the Liquidators into the firm are ongoing, it is unknown if compensatable losses will arise for clients. The ICCL will continue to engage with the Liquidators to ensure that certification of any losses arising is advanced as speedily as possible.

Chairperson's Comments

Speaking on the publication of the Annual Report, the Chairperson of the ICCL, Mrs Jane Marshall, said:

"I am pleased that the certification of claims by the Administrator in the CHC case has been completed and that the vast majority of clients eligible to receive compensation have had their claims settled.

At this juncture, pending completion by the Liquidators of their investigations into BlackBee Investments, it is unknown if there will be compensatable losses in this case. The ICCL stands ready to process certified claims once received from the Administrators.

The support for the Scheme from firms participating in the Scheme, as evidenced by the high levy collections rates achieved over many years, is reassuring and has enabled the ICCL to build its reserves in line with funding targets."

The ICCL Annual Report for the year-ended 31 July 2023 is now available online at www.investorcompensation.ie

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For further information, please contact:

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Mrs Marshall and Mr Fagan will be available to receive phone calls from the media on Friday 15 December 2023 from 11.00am until 12.00pm. Any e-mailed requests for information will be attended to as quickly as possible and in the order in which they are received.

Note for Editors:

The ICCL was established under the Act. 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 differences in the activities of investment firms. The ICCL is not involved in the regulation or supervision of investment firms.

The ICCL is fully funded through levies collected from participant investment firms and receives no State funding (see below).

Ten Directors represent the interests of consumers (5) and 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.

ICCL Funding Model

The ICCL consults with its participant firms once every three years concerning its funding for the following three years. The latest *Funding Arrangements* document in respect of the Funding Years ending 31 July 2023-25, which was issued in May 2022, outlines contribution rates payable by the different categories of authorised investment firms affiliated to the Scheme and the various sources from which the ICCL may draw funds in the event of a claim arising. These sources are as follows:

- Payments to be made out of the reserves built up in Fund A or Fund B, as appropriate.
- Additional top-up payments to be collected from participant firms subject to certain limitations on the supplementary amount in any one year.
- Claim on an 'Excess of Loss' Insurance Policy where the level of claims in any one year exceeds €15 million per fund.
- Commercial borrowing may be arranged under the ICCL's statutory borrowing powers. This borrowing is subject to approval by the Central Bank.
- Inter-fund borrowing. Under Section 19 of the Act, inter-fund borrowing is permitted up to one third of the fund, subject to approval by the Central Bank.

The implementation sequence of the individual elements of the cascade model will be determined by the Board of the ICCL depending on circumstances prevailing at the time of default.

Role of the Administrator

The Act requires that the Central Bank or the High Court, as appropriate, appoint an Administrator to each new case. This role is usually undertaken by the Liquidator of the insolvent firm concerned. The principal responsibilities of the Administrator are to review each claim received from clients of the failed investment firm, to verify the eligibility and net loss of each claimant, and to certify the level of compensatable loss, if any, to be paid. The ICCL strives to ensure payment to each eligible client is made within two weeks of receipt of the certification statement from the Administrator.

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