



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Settlement Agreement between the Central Bank of Ireland and Allied Irish Banks, p.l.c.

The Central Bank of Ireland (the “**Central Bank**”) has entered into a Settlement Agreement with effect from 17 December 2013 with Allied Irish Banks, p.l.c. (the “**Firm**”), a regulated financial services provider, in relation to contraventions of the Central Bank’s Requirements for the Management of Liquidity Risk (the “**Requirements**”) and the European Communities (Licensing and Supervision of Credit Institutions) Regulations 1992 (S.I. 395 of 1992) (the “**Regulations**”).

Reprimand and fine

The Central Bank reprimanded the Firm and required it to pay a monetary penalty of €490,000.

Contraventions

The four contraventions, which occurred at various periods between September 2007 and May 2013, were as follows:

1. the Firm failed to have adequate internal controls in place to ensure the integrity of its regulatory liquidity reporting in breach of Regulation 16(3)(c) of the Regulations;
2. the Firm failed to comply with Section 3.2.2 of the Requirements by not ensuring the integrity of liquidity reporting to the Central Bank;

3. the Firm failed to comply with Section 3.7 of the Requirements by not documenting the requirement to analyse its foreign currency liquidity under various scenarios in its 2012 liquidity policy; and
4. the Firm did not comply with Section 4.1 of the Requirements when preparing regulatory liquidity returns, by failing to ensure that behavioural assumptions made in relation to certain cash flows were based on historical information, and by not adequately taking account of seasonal factors.

Background to the Requirements

Under the Requirements, credit institutions are required to analyse cash flows under various headings and place them in time-bands depending on when it is considered that the cash is received or paid out. Details of these cash flows are required to be submitted to the Central Bank in regulatory liquidity returns and credit institutions are required to make assumptions on the behaviour of cash flows when preparing returns. The Requirements also set out rules regarding what a credit institution's liquidity policy should include. The contraventions in this case relate to inaccuracies in the regulatory liquidity returns and the failure to have in place adequate internal controls to ensure the accuracy of these returns.

Penalty decision factors

The penalties imposed in this case reflect the importance the Central Bank places on compliance with regulatory reporting obligations.

In deciding the appropriate penalty to impose, the Central Bank has taken the following into account:

- the seriousness with which the Central Bank views any contraventions of the Requirements;
- the seriousness with which the Central Bank views contraventions of liquidity reporting as it impacts upon the ability of the Central Bank to ascertain with certainty the liquidity position of the Firm;
- the extended period of time over which the contraventions occurred;

- the errors identified did not cause the Firm to breach the required liquidity ratios imposed by the Central Bank;
- the Firm identified these contraventions and brought them to the attention of the Central Bank;
- the Firm had access at all times to sufficient liquidity;
- the Firm has taken appropriate remedial steps to rectify the breaches; and
- the cooperation of the Firm during the investigation and in settling at an early stage in the administrative sanctions procedure

The Central Bank confirms that the matter is now closed.

- End -

The Central Bank of Ireland has entered into a Settlement Agreement on 17 December 2013 with Allied Irish Banks p.l.c, a regulated financial services provider, in relation to breaches of the Central Bank's Requirements for the Management of Liquidity Risk and the European Communities (Licensing and Supervision of Credit Institutions) Regulations 1992 (S.I. 395 of 1992).

The Central Bank of Ireland also issued a general comment from Director of Enforcement, Derville Rowland:

"This is the fifth settlement by the Central Bank in the last four years for breaches of the liquidity requirements.

The Central Bank is tasked with monitoring the financial stability of regulated institutions and their compliance with regulatory ratios which provide indications as to the stability of these institutions. The failure by a credit institution to accurately report its liquidity position to the Central Bank undermines the ability of the Central Bank to supervise such an institution and is viewed as a serious matter.

In light of the importance of compliance with regulatory reporting obligations, including those set out in the liquidity requirements, the Central Bank will continue to use its range of regulatory tools including enforcement where regulated entities fall short of the required standards.

Regulated institutions must have proper and effective systems and controls in place to ensure compliance with their regulatory reporting obligations.

The pursuit of enforcement actions in respect of the accuracy of: information submitted to the Central Bank; and systems and controls failings, are two of the Central Bank's Enforcement Priorities for 2013 and, for that reason, where breaches occur in these areas, regulated entities and their management should expect vigorous investigation and follow up by the Central Bank."