



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Settlement Agreement between the Central Bank of Ireland and Citibank Europe plc

The Central Bank of Ireland (the “**Central Bank**”) has entered into a Settlement Agreement with effect from 11 December 2013 with Citibank Europe plc (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 €550,000.

Contraventions

Five contraventions relating to regulatory liquidity reporting, and occurring during the period from 2 January 2009 to 31 July 2012 (the “**Relevant Period**”), were identified. During the Relevant Period:

1. the Firm failed to ensure the accuracy of its liquidity reporting to the Central Bank in accordance with sound administrative principles, in breach of Regulation 16(1) of the Regulations;

2. the Firm failed to have adequate internal controls in place to ensure the accuracy of its regulatory liquidity reporting in breach of Regulation 16(3)(c) of the Regulations;
3. the Firm failed to comply with each of (a) Section 4.1 Table (i) and (b) Section 4.1 Table (ii), of the Requirements by failing to apply haircuts (discounts on cash-flows) to retail and corporate deposits to reflect the perceived risk associated with holding such deposits, before including these deposits in liquidity returns; and
4. the Firm failed to comply with Section 5.4 of the Requirements by including encumbered assets (security repurchase agreements) as part of its portfolio of readily marketable assets reported as liquid assets in returns.

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 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. Credit institutions are also required to record in regulatory liquidity returns the level of assets which they hold that can readily be converted into cash (liquid assets). The Requirements set out rules in relation to how cash flows and liquid assets are to be recorded by credit institutions in regulatory liquidity 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 Firm’s liquidity position remained at all times in excess of the required liquidity ratios;
- the Firm self-identified these contraventions and immediately notified the Central Bank of the errors and deficiencies in internal controls and has taken appropriate remedial steps to rectify the contraventions; 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 11 December 2013 with Citibank Europe plc, a regulated financial services provider, in relation to breaches of the Central Bank’s Requirements for the Management of Liquidity Risk dated 28 June 2006 and 29 June 2009 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 fourth 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 regulated financial services providers to ensure the accuracy of regulatory reporting to the Central Bank undermines the ability of the Central Bank to supervise such institutions 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."