



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

**Settlement Agreement between the Central Bank of Ireland
and LGT Capital Partners (Ireland) Limited**

The Central Bank of Ireland (the “**Central Bank**”) has entered into a Settlement Agreement with effect from 28 March 2014 with LGT Capital Partners (Ireland) Limited (the “**Firm**”), a regulated financial services provider, in relation to contraventions of the European Communities (Capital Adequacy of Investment Firms) Regulations 2006 (S.I. 660 of 2006) (the “**Capital Adequacy Regulations**”) and the European Communities (Markets in Financial Instruments) Regulations 2007 (S.I. 60 of 2007) (the “**MiFID Regulations**”).

Reprimand and fine

The Central Bank reprimanded the Firm and required it to pay a monetary penalty of €95,000.

Contraventions

Two contraventions were identified:

1. The Firm failed to maintain the required level of regulatory capital over a period of 50 days between 31 December 2012 and 24 February 2013, in breach of the Capital Adequacy Regulations; and
2. The Firm failed to ensure it had in place and used sound administrative and accounting procedures and internal control mechanisms to enable it to monitor and

recognise the risk that its increasing debtor balance could cause its level of own funds to fall below the required amount (as evidenced in contravention one above) due to its increased credit risk capital requirement, in breach of the MiFID Regulations.

Background

In January 2013, on receipt of a periodic regulatory return from the Firm, the Central Bank noted that the Firm had a deficit of €132,000 in its regulatory capital (Regulatory Capital specifies the minimum level of specific types of capital that must be available to absorb losses in the event of an insolvency of a firm). The Central Bank requested further information from the Firm which showed that the Firm was undercapitalised for a total of 50 days between 31 December 2012 and 24 February 2013. The amount of the shortfall varied from €3,000 to €521,000. The breach occurred due to an increase in the required amount of regulatory capital caused by an increase in the Firm's debtors at the end of December 2012.

Penalty decision factors

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 Capital Adequacy Regulations and the failure to have in place proper internal control mechanisms to enable firms to recognise the risk to capital from certain events;
- that once the breaches were discovered the Firm took prompt corrective action to address and rectify the issues which led to the contraventions;
- the cooperation of the Firm during the Central Bank's 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 28 March 2014 with LGT Capital Partners (Ireland) Limited, a regulated financial services provider, in relation to breaches of European Communities (Capital Adequacy of Investment Firms) Regulations 2006 (S.I. 660 of 2006) and European Communities (Markets in Financial Instruments) Regulations 2007 (S.I. 60 of 2007).

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

*“This is the first settlement with an investment firm for a breach of the capital requirements set out in the European Communities (Capital Adequacy of Investment Firms) Regulations 2006 (S.I. 660 of 2006)(the “**Capital Adequacy Regulations**”).*

The purpose of the Capital Adequacy Regulations is to ensure that investment firms have enough capital to absorb losses that may arise due to market conditions or other events. The Central Bank monitors the capital requirements of investment firms through returns which are submitted to the Central Bank on a periodic basis.

Firms must also ensure that their systems and controls are adequate to ensure compliance with their regulatory capital requirements.

Where the Central Bank finds evidence of failures in this area, it will continue to use its range of regulatory tools, including enforcement. The Central Bank does not have an active supervisory relationship with lower impact rated entities. Under PRISM (the Central Bank’s risk based supervisory framework), low-impact firms are supervised reactively or through thematic assessments. Enforcement is therefore a key support for the effective supervision of these entities.”

