



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

PO BOX 559
Dame Street
Dublin 2

T +353 1 224 4000
F +353 1 671 6561

Settlement Agreement between the Central Bank of Ireland

and

Aviva Investors Ireland Limited

The Central Bank of Ireland (“the Central Bank”) has entered into a Settlement Agreement with effect from 20 July 2011 with Aviva Investors Ireland Limited (“the firm”), a regulated financial services provider, in relation to breaches of regulatory requirements contained in the Client Asset Requirements (“CAR”).

Six breaches were identified. These breaches are:

- failure to properly designate the firm’s internal record in respect of 184 client accounts;
- failure to properly designate 525 client accounts in such way as to make it clear that the client assets do not belong to the firm and are subject to the European Communities (Markets in Financial Instruments) Regulations 2007 (“the Regulations”);
- failure to obtain required confirmations from seven credit institutions, prior to lodging client monies, that the funds are held by the firm as a trustee and will be dealt with in a prescribed manner;
- failure to obtain the required confirmations from two eligible custodians, prior to opening an account for client financial instruments;
- failure to carry out reconciliations in accordance with the CAR on 30 September 2009, thus omitting 4 accounts from the reconciliation; and

- failure to establish adequate policies and procedures sufficient to ensure compliance of the firm and persons who are the firm's managers, employees or tied agents with the firm's obligations under the Regulations in not including specific provisions, or failing to adhere to those provisions leading to the breaches identified.

The Central Bank reprimanded the firm and required it to pay a monetary penalty of €30,000.

These breaches were detected by the Central Bank during the course of an inspection in November 2009.

These breaches occurred because the firm's policies and procedures governing compliance with the CAR were inadequate and in some instances not adhered to.

The firm confirms that the breaches did not result in financial loss to clients.

The Central Bank issued a letter to industry on 12 May 2008 highlighting the importance of the correct designation of accounts stating that, *"Firms should review both their internal and financial institution records to ensure that all client accounts are correctly designated in accordance with the CAR."*

The penalties imposed in this case reflects the importance the Central Bank places on the CAR. The CAR is a key protection for customers of authorised investment firms. The proper designation of accounts is a key element of the CAR. Failure to adhere to these important regulatory safeguards is viewed seriously by the Central Bank.

In deciding the appropriate penalty to impose, the Central Bank recognises:

- all the breaches have been rectified, and
- the co-operation of the firm during the course of resolution of the matter 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 has previously highlighted through enforcement action, our Enforcement Strategy 2011-2012 and media commentary, its concerns relating to failure to comply with the CAR and the MiFID Regulations. Compliance with the CAR is a vital safeguard for the protection of client assets. Non-compliance with this important accounting and internal control obligation is not only an enforceable matter but also erodes the special trust customers assume when dealing with regulated institutions. The CAR is a priority area for the Central Bank and we will continue to focus our supervisory and enforcement resources to help achieve acceptable standards of compliance with this important safeguarding requirement. Those who continue to fall short of the required standards are an unacceptable risk not only to their customers but also to the Central Bank achieving its statutory objective and high level goals of ensuring that the best interest of consumers of financial services are protected and ensuring the proper and effective regulation of financial institutions.

Firms should monitor and test internal policies and procedures to ensure that they are effective so as to minimise the potential for non-compliance with the Regulations or binding requirements issued under the Regulations.