



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Settlement Agreement between the Central Bank of Ireland and Merrion Stockbrokers Limited.

The Central Bank of Ireland ("the Central Bank") has entered into a Settlement Agreement with effect from 21 March 2012 with Merrion Stockbrokers Limited ("the firm"), a regulated financial services provider, in relation to breaches of Regulations 112 and 33(1)(a) of the European Communities (Markets in Financial Instruments) Regulations 2007 ("the MiFID Regulations").

The breaches identified are:

- 1) The firm failed to report a total of 12,020 transactions in financial instruments, which were admitted to trading on a regulated market or on a MTF operated by a market operator, to the Central Bank by close of the following working day following the execution of the transaction, as follows:
 - on 14 July 2010, the firm failed to report details of 373 transactions;
 - on 14 October 2010, the firm failed to report details of 327 transactions;
 - on 23 November 2010, the firm failed to report details of 612 transactions; and
 - between 1 November 2007 and 26 August 2011, the firm failed to report details of 10,708 transactions.
- 2) Between 1 November 2007 and 20 June 2011, the firm failed to report the correct buy/sell indicator in the details of the execution of 45,782 transactions in financial instruments which were admitted to trading on a regulated market or which were admitted to a MTF operated by a market operator.

- 3) The firm failed to establish adequate policies and procedures sufficient to ensure compliance with Regulation 112 of the MiFID Regulations as set out in breaches 1 and 2 above.

The Central Bank reprimanded the firm and required it to pay a monetary penalty of €65,000.

As part of the Central Bank's on-going monitoring of the accuracy and completeness of transaction reporting submitted by firms, the Bank identified that the firm failed to report transactions in financial instruments, which were admitted to trading on a regulated market or a MTF operated by a market operator, on three non-consecutive dates between July and November 2010. This check was performed by the Central Bank to establish whether reporting firms have submitted a file with the financial instruments executed in the previous working day for each day within a specific period.

During the course of a transaction reporting review undertaken by the firm, it identified a further 10,708 non-reported transactions which it brought to the Central Bank's attention.

In May 2011, the Central Bank conducted a themed inspection of the firm in the normal course of supervision. On the basis of information obtained during the inspection, it came to light that 6 trades may have been incorrectly reported as sales instead of purchases. The Central Bank raised this issue with the firm. The firm completed a reconciliation and from that identified that it had been reporting the incorrect buy/sell indicator to the Central Bank on client principal trades since 1 November 2007 in breach of Regulation 112 of the MiFID Regulations.

The breaches were unintended and once detected the firm submitted all transactions reports correctly.

The Central Bank is satisfied that the failure to comply with the transaction reporting obligations as set out in 1 and 2 above is evidence that the firm's policies and procedures were not adequate to ensure full compliance with Regulation 112 of the MiFID Regulations.

The penalties imposed in this case reflect the importance the Central Bank places on accurate and complete reporting of transactions in financial instruments under the MiFID Regulations.

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

- once the breaches were discovered, the firm accepted that the breaches occurred and acted in a swift manner to rectify the situation; 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 21 March 2012 with Merrion Stockbrokers Limited, a regulated financial services provider, in relation to breaches of the European Communities (Markets in Financial Instruments) Regulations 2007.

The Central Bank of Ireland also issued a general comment from Director of Enforcement, Peter Oakes:

"This is the fourth settlement with a firm for transaction reporting failures. Firms are reminded that timeliness and accuracy of information submitted to the Central Bank was first identified as a priority area for enforcement action in the Enforcement Strategy published in 2010 and remains within our Enforcement Priorities for 2012.

The Central Bank's ability to monitor the markets for market abuse is key to its ability to fulfil the statutory objective of ensuring the proper and effective regulation of financial service providers and markets. In previous commentary relating to transaction reporting failures, we stated that accurate transaction reporting is essential for enabling the Central Bank to fulfill its role in effectively

monitoring the market to detect market abuse and financial crime. Firms must understand that incomplete or inaccurate transaction reporting creates an unacceptable risk to the Central Bank in achieving its statutory objective. Complete and accurate transaction reporting is also key to the Central Bank's role of transmitting transaction reporting data to other relevant competent authorities within the EEA.

Where the actions of a firm undermine the Central Bank's achievement of its statutory objectives, the firm should expect that enforcement action will follow, especially where the breach falls within our stated Enforcement Priorities".