



FINANCIAL REGULATOR *Rialtóir Airgeadais*

PO BOX 9138
College Green
Dublin 2

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

Settlement Agreement between the Financial Regulator and Merrill Lynch International Bank Limited

The Financial Regulator has entered into a Settlement Agreement with effect from 22 October 2009 with Merrill Lynch International Bank Limited in relation to two separate incidents in which traders failed to appropriately value their positions and which occurred in the London Branch of Merrill Lynch International Bank Limited. The first incident occurred between December 2008 and February 2009, resulting in losses to Merrill Lynch International Bank of \$456million. The second occurred between May and August 2009, resulting in losses of \$5.3 million. Full details of the second incident were notified to the Financial Regulator during the course of the examination into the first incident. For this reason, both cases are being dealt with together.

Breaches of regulatory requirements common to both incidents were a failure to have in place a well defined and transparent line of supervisory responsibility; a failure to supervise the trader's activity and an inadequate month-end independent price verification process.

Additionally, in the first incident it was also found that there was a failure to manage effectively market risk limits in respect of the trader's activities.

The Financial Regulator reprimanded Merrill Lynch International Bank Limited and required it to pay a monetary penalty in the sum of €2,750,000.

Merrill Lynch International Bank Limited promptly notified the Financial Regulator in respect of each separate incident, commissioned full investigations and subsequently

submitted detailed reports of each investigation to the Financial Regulator. Merrill Lynch International Bank Limited has fully co-operated with the Financial Regulator and has been open and transparent throughout the examination. Merrill Lynch International Bank Limited confirms that it has taken complete remedial action to fully rectify the breaches.

This matter is now closed.

-end-