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Central Bank of Ireland

Eurosystem

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Settlement Agreement
Between the Central Bank of Ireland and
NCB Stockbrokers Limited

The Central Bank of Ireland (“the Central Bank”) has entered into a Settlement Agreement with effect from 16 December 2010 with NCB Stockbrokers Limited (“the firm”), a regulated financial services provider, in relation to breaches of Regulation 112 of the European Communities (Markets in Financial Instruments) Regulations 2007 (“MiFID”).

The two breaches identified comprised of the firm failing to report details of transactions in financial instruments admitted to trading on a regulated market or a multilateral trading facility operated by a market operator, as follows:

- From August 2008 to June 2010, the firm incorrectly reported a number of transactions on a net basis. It failed to report details of 158,197 transactions in financial instruments, and reported 44,003 transaction report incorrectly; and
- From November 2007 until June 2010, the firm failed to include the correct trading capacity of the firm in 1,222 transaction reports, stating itself to be Agent where it was in fact Principal.

These breaches were detected by the Central Bank during the course of inspection of reported transaction data.

The Central Bank reprimanded the firm and required it to pay a monetary penalty of €100,000.

The details are that from 1 November 2007 the firm, like other stockbrokers and MIFID-authorized firms, was obliged to provide transaction reports on its trading activity. However, in 2008, the firm made changes to its I.T. systems and subsequently reported a large number of institutional market side trades on a net end-of-day basis. Regulation 112 of the MiFID provides that each trade must be reported and does not allow for net reporting.

Additionally, the firm incorrectly reported its trading capacity on a small number of transaction reports submitted to the Central Bank between 1 November 2007 and 1 June 2010. These transactions were reported as being executed in an Agency capacity rather than as Principal.

The breaches were unintended and once the firm became aware of the breaches, they quickly undertook remedial steps, and submitted all transaction reports correctly.

The penalties imposed in this case reflect the firm's proactive conduct, full cooperation during the course of the investigation and settling at an early stage in the administrative sanctions procedure.

Accurate transaction reporting is essential to the Central Bank in effectively monitoring market abuse and financial crime. The Central Bank has previously warned firms of the danger of implementing IT changes without first having properly assessed the impact on meeting their regulatory transaction reporting requirements. Regulated firms planning to implement operational, including IT, changes should perform an impact assessment to verify that the changes do not impede compliance with regulatory requirements.

The Central Bank confirms that the matter is now closed.

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