

**JUNE 2020**

CBI SANCTIONS FORMER CFO

The Central Bank of Ireland (“**CBI**”) has entered into a settlement with an individual who formerly performed the roles of executive director and chief financial officer (“**CFO**”) of RSA Ireland Insurance DAC (“**RSAI**”): the link to the public statement can be found [here](#). Under the settlement, the former RSAI executive was fined €70,000, and disqualified from being involved in the management of a regulated financial service provider for a period of 8 years and 4 months. The settlement relates to the individual’s participation in RSAI’s failure to maintain sufficient technical reserves from February 2010 to 30 September 2013 and was concluded under the CBI’s Administrative Sanctions Procedure.

Background

This settlement relates to the former executive’s participation in certain regulatory breaches which were admitted by RSAI in a settlement with the CBI in December 2018. In that settlement RSAI was fined €3.5 million for various matters, including a failure to establish and maintain technical reserves in respect of all underwriting liabilities assumed by it.

In this settlement the CBI stated that the individual - who occupied the roles of executive director and CFO of RSAI from 2010 to 2013 - had knowingly and actively participated in RSAI’s failure to maintain sufficient technical reserves, through his involvement in the under-reserving of large-loss claim reserve estimates. The CBI found that the individual participated in this under-reserving by:

- (i) attending undocumented meetings during which certain large loss claim reserve estimates were deliberately and wrongfully under-reserved;
- (ii) giving instructions and transmitting information in relation to those claims within RSAI knowing them to be under-reserved; and

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- (iii) concealing the under-reserving by knowingly providing inaccurate and misleading financial information to the CBI in his role of CFO.

Sanctioning Factors

This is the first time that a settlement has referred to the CBI's guidance on sanctioning factors, which is set out in its "ASP Sanctions Guidance" which was published last November (see link to previous article on the Sanctions Guidance [here](#))

Some of the factors which the CBI considered when coming up with the sanction in this case included the individual's deliberate participation in the breach, with the CBI finding that he "*actively facilitated the under-reserving*" by concealing it from the CBI through the provision of inaccurate and misleading financial information. The CBI also found that the individual's misconduct was a significant departure from the standard required of a person involved in the management of a regulated firm.

In mitigation, the CBI mentioned the individual's exemplary co-operation in the CBI's investigation, including his co-operation at interview, timely provision of information to the CBI, and active engagement with the CBI's investigative procedures.

Commentary

This is the third settlement which the CBI has entered into with an individual in the last two years under its Administrative Sanctions Procedure. The other two settlements were with individuals who formerly performed the roles of non-executive Chairman and of senior manager of commercial lending within regulated entities at the relevant time. In both cases, fines and disqualification periods were imposed.

Contact information

If you have any queries about the information contained in this article, please contact Muireann Reedy of our Regulatory Investigations Unit at Muireann.Reedy@dilloneustace.ie or at 01-674 1002.

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