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Why did Quinn agree the facts and penalties in Ireland's highest regulatory fine?

Peter Oakes

The fines against Quinn Insurance and its chairman Seán Quinn of €3.45m are important for three reasons: 1) the size of the fines; 2) despite comments by Quinn in the aftermath of the Financial Regulator's announcement, both Quinn Insurance and Quinn agreed the facts and the penalties without dispute; and 3) the lack of any meaningful detail in the regulator's announcement as to the specific grounds for its investigation and the monetary penalties.

Firstly, the Financial Regulator is obviously growing in confidence both in terms of its powers and, more importantly, the ability of its staff. The fine agreed is more than 40 times higher than the previous highest fine to date - that of Fexco Stockbroking penalised €80,000 earlier this year. It is 70 times higher than the €50,000 fine against Irish Nationwide Building Society imposed earlier this month for an admitted breach of the Consumer Protection Code.

The personal fine agreed by Quinn of €200,000 is 10 times higher than the previous highest fine imposed against two directors of a funds company (each fined €20,000).

Secondly, following the Financial Regulator's announcement Quinn issued a statement accepting full responsibility for the fact that loans from Quinn Insurance breached insurance regulations but he refused to accept that the fines were proportionate to the facts and he appeared to question the motives of the Financial Regulator, intimating that perhaps the size of the fines were motivated by pressure on the regulator arising from the current market crises.

If Quinn is of this belief, then there are two immediate questions: 1) why did his company agree a €3.25m fine; and 2) why did he agree a personal fine of €200,000.

Thirdly, despite the publicity surrounding the Financial Regulator's announcement, we are none the wiser as to the exact reasons behind Ireland's highest regulatory fine. The settlement agreement simply states that the regulator has reasonable cause to suspect breaches of Insurance laws and regulations and as well as the failure to pre-notify the Financial Regulator of loans between related companies.

Compared to international regulators, the Financial Regulator is at risk of being perceived as letting itself and the industry down by not informing the market of the reason why penalties were imposed.

Peter Oakes is a Principal of Compliance Ireland Regulatory Services Limited. Compliance Ireland is a specialist provider of regulatory, risk and corporate governance services to Irish and international firms operating in financial and non-financial markets

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