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Central Bank sanctions a former INBS Chairman

The Central Bank of Ireland (the "**Central Bank**") has announced a settlement with Mr. Michael P. Walsh, a former Chairman of Irish Nationwide Building Society ("**INBS**").

Mr. Walsh agreed to a fine of €20,000, to a three year disqualification from being involved in the management of a regulated financial services provider and to a reprimand. The settlement was agreed under the Central Bank's Administrative Sanctions Procedure.

Background

Mr. Walsh was a non-executive Chairman of INBS from 14 May 2001 until 17 February 2009. He was also a member of INBS's Audit Committee from 2001 until 30 June 2008.

The Central Bank said that the settlement related to Mr. Walsh's "*…ultimate responsibility as a non-executive Chairman of INBS…*" for certain breaches of financial services law admitted by INBS. These concerned INBS's Credit Committee's failure to function in accordance with INBS's internal policies, INBS's failure to provide certain reports relevant to commercial lending and credit risk management to the INBS board in accordance with INBS's internal policies and INBS's failure to establish a credit risk policy for profit share agreements.

The Central Bank found that Mr. Walsh was in a position to ensure that the INBS board received timely and relevant information from

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management and that the board was addressing all relevant issues, although it acknowledged that Mr. Walsh was not directly engaged in the day to day management of INBS.

Key points

The settlement shows that the Central Bank will pursue management of regulated entities where it believes they are responsible for regulatory breaches. It also highlights the Central Bank's expectations of the role which non-executive directors should play in ensuring that management systems and internal controls are complied with. The Central Bank said that Mr. Walsh's departure from the standards which it expected in this regard was one of the factors it took into account when deciding on the appropriate sanction.

Two out of the three breaches referred to in the public statement relate to a failure by INBS to adhere to its internal policies. That highlights the importance which firms and their boards should place on ensuring that such policies are adhered to.

Other comments

This is the first time that the Central Bank has imposed a fine and a disqualification on an individual.

The case in respect of Mr. Walsh had been referred to an Inquiry Panel for a formal decision to be reached as to whether Mr. Walsh had been involved in any regulatory breach by INBS. As the case has now settled, the Inquiry into Mr. Walsh will not proceed any further. However Inquiries are on-going in relation to four others who were involved in the management of INBS (Mr. Michael P. Fingleton, Mr. John S. Purcell, Mr. Thomas Mc Menamin and Mr. Gary McCollum) and the Central Bank has confirmed that the settlement with Mr. Walsh has no effect in relation to the other cases.

In terms of settlements with individuals, to date 12 people have been disqualified by the Central Bank under the Administrative Sanctions Procedure for various time periods ranging from 1 year to 10 years and four fines have been imposed – the largest being a fine of €200,000 which was imposed on Mr. Seán Quinn Senior in 2008.

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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